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SLOVENSKA ZNANSTVENA REVIJA ZA TRŽENJE

14.

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Volume 14 was edited by Prof. dr. Damijan Mumel and Ass. prof. dr. Aleksanda Pisnik Korda.

Akademija MM je edina slovenska znanstvena in referenčna publikacija za področje marketinških znanosti. Kot taka vključuje tudi interdisciplinarne stroke in dognanja s področij tržnih komunikacij, integriranega komuniciranja, ekonomije, psihologije, sociologije in likovno-oblikovnih ved. Ustanovljena je bila z namenom širitve in utrjevanja marketinških znanosti v domačem okolju, prenosa znanja in aplikacije akademskih spoznanj v praksi.

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KAZALO

PUBLISHER'S NOTE

14th Akademija MM is being published during the 20th anniversary of the fall of the Berlin Wall. The fall of the Wall represents the beginning of the end of false egalitarism on the one side and the hope that normal market economy societies can be established in the East on the other side. During the last two decades Akademija MM helped us to discover what capitalism, marketing, sales, etc are. It seemed that some learned a lesson from it, or at least we hoped so. It was not easy, for many people it was not pleasant, many gnashed their teeth when they had to talk highly about the changes they did not believe in.

Twenty years later, democracy and capitalism in Eastern Europe lose ground. The research carried out by the American Pew Institute shows that the Hungarians (72 %), the Ukrainians (62 %) and the Bulgarians (62 %) believe that their life is more difficult than in communism. Only 30 per cent of Ukrainians positively assess multiparty system (compared to more than 70 % in 1991), only 37 % of Russians believe that freedom of speech is important. Similar beliefs are more and more frequently heard in Slovenia.

Are we really going back to the days before the fall of the Wall? Fictional equality, privileges of influential groups, manager pogroms, state monopolies, exclusive rights of individuals, expensive state, the intrusion of politics in the economy, the introduction of state ownership of half-privatised companies, extraordinary measures, restriction of performance based payments, the power of workers, etc. are here and now. The times are more like the iron eighties of the previous century than the enthusiastic period just before the fall of the Wall.

In this light, the articles published in the 14th issue of Akademija MM do not only represent new knowledge, but are also a sign of trust in free market, people and ideas.

Marjan Novak

UVODNE BESEDE

14. Akademija MM izhaja ob 20-letnici padca berlinskega zidu. Padec zidu je pomenil začetek konca lažnega egalitarizma po eni strani ter upanje, da je mogoče tudi na Vzhodu nekoč postaviti normalne tržno-ekonomske družbe. V preteklih 20 letih smo se tudi ob Akademiji MM učili, kaj so kapitalizem, marketing, trženje itd. in se tudi nekaj, upam, naučili. Vsaj nekateri, vsaj tako je bilo videti, vsaj tako smo upali. Ni bilo lahko, za marsikoga ni bilo prijetno, mnogi so močno stiskali zobe, ko so morali hvaliti spremembe, v katere nikoli niso verjeli.

Dvajset let kasneje demokracija in kapitalizem v vzhodni Evropi izgubljata. Raziskava ameriškega Pew Institute kaže, da Madžari (72 %), Ukrajinci (62 %) in Bolgari (62 %) ocenjujejo, da živijo slabše kot v komunizmu. Samo še 30 odstotkov Ukrajincev pozitivno ocenjuje večstrankarski sistem (leta 1991 več kot 70 %), samo še 37 % Rusov meni, da je svoboda govora pomembna. Podobne ocene postajajo vse glasnejše tudi v Sloveniji.

Se res vračamo v čas pred padcem Zidu? Navidezna enakost, privilegiji vplivnih skupin, pogrom nad managerji, državni monopoli, izjemne pravice posameznikov, draga država, vdor politike v gospodarstvo, podržavljanje pol-sprivatiziranih podjetij, izredni ukrepi, omejevanje nagrajevanja po učinku, oblast delavstva itd. se dnevno dogajajo tukaj in zdaj. Časi bolj kot na zanos konca osemdesetih spominjajo na začetek železnih osemdesetih prejšnjega stoletja.

V tej luči prispevki v 14. Akademiji MM niso samo nova znanja, temveč tudi izraz zaupanja v svobodo trga, idej in ljudi.

Marjan Novak

A PREFACE TO THE 14TH AKADEMIJA MM

The fact that theory and practice are inseparable for development and progress of economies and societies has been accepted in science as well as in ordinary practice and life. This inseparable nature has been emphasised in the scientific articles of the 14th issue of Akademija MM. The selection of scientific articles is the result of the third international conference Marketing Theory Challenges in Transitional Societies, which took place in September 2009 at the Faculty of Economics in Maribor. On the one side, these articles arose from a deep understanding of company needs and scientific curiosity and, on the other side, from scientific inquiries of researchers and academics. The research areas covered by articles are thus closely connected to everyday marketing practice: the relationship between marketing and sales on the company level; the relationships between suppliers and buyers; characteristics and differences between customers in SE Europe; consumer lifestyles; the impact of economic crisis on business activities of multinational companies in the region, etc. The selection of up-to-date topics that can easily become the source for new knowledge.

Many thanks to the authors of interesting articles as well as to the editors for the selection they have made.

Prof. dr. **Maja Makovec Brenčič**
MAS President

14. AKADEMIJI MM NA POT

Da sta teorija in praksa neločljivo zavezani v soustvarjanju razvoja in napredka gospodarstva in družbe kot celote, smo, upam, sprejeli tako v znanosti kot v vsakodnevni praksi in življenju. Prav tovrstno soustvarjanje ponuja tokratna, že 14. Akademija MM. Znanstveni članki, ki so rezultat tretje mednarodne konference Marketing Theory Challenges in Transitional Societies Conference, ki je potekala septembra na EPF v Mariboru, so namreč nastali prav iz razumevanja potrebe podjetij ne eni in znanstvene radovednosti in preverbe raziskovalcev in akademikov na drugi strani. Od tod tudi področja raziskovanja, ki so blizu vsakdanji trženjski praksi: odnos trženje in prodaja na ravni podjetja; odnosi med dobavitelji in odjemalci; značilnosti in različnosti kupcev JV Evrope; življenjski stili porabnikov; vplivi gospodarske krize na poslovanje multinacionalnih podjetij v regiji itd. Zbir tem, ki je še kako v času in iz katerega lahko črpamo nova, aktualna spoznanja.

Hvala avtorjem za zanimive raziskave, urednikoma pa čestitke za njihov izbor!

Prof. dr. **Maja Makovec Brenčič**
Predsednica DMS

EDITORIAL

This is the first time that Akademija MM is published exclusively in English, which is an important step towards international recognition and the exchange of knowledge and experience of authors writing about marketing not only in Slovenia but also abroad. The selection of articles in this issue is based on the best conference papers presented at the 3rd international scientific conference MTC – Marketing Theory Challenges in Transitional Societies. MTC conference, officially supported by EMAC (European Marketing Academy), was organised by the Institute for Marketing at the Faculty of Economics and Business in Maribor. Authors from 14 countries, even from the USA, Great Britain and the Netherlands submitted 45 papers for the 2009 conference. The success of the conference was proved by its continuation, as our next conference is due for next year in the form of an official regional EMAC conference at the Corvinus University in Budapest. Best authors were invited to adapt their contributions into original scientific articles, which can now be offered to the readers of this issue of Akademija MM.

The selection of articles starts with authors coming from the Faculty of Economics in Zagreb, **Josip Mikulić and Darko Prebežac** who, in their article *Analyzing the potentials of airline service elements to impact passenger loyalty - A hierarchical approach* analyse the influence of airline service elements on passenger loyalty in future. On this basis, the authors developed their recommendations regarding the improvement of the most important components of airline services. The authors revealed that the offer of flights/destinations was the most influential factor, which influences customer retention. A strong influence was also found in relationship-experience and the flight-experience. The airport experience and ticket purchase experience

UVODNIK

Prvič v dolgoletnem izhajanju Akademije MM izdajamo številko, kjer so vsi prispevki v angleškem jeziku, kar je pomemben korak v procesu uveljavljanja revije v mednarodnem okolju ter izmenjavo znanj in izkušenj avtorjev s področja marketinga, ne samo v Sloveniji, temveč tudi širše. Izbor člankov v tokratni reviji sva naredila na podlagi najboljših referatov, ki so bili predstavljeni na 3. mednarodni znanstveni konferenci MTC – Marketing Theory Challenges in Transitional Societies. MTC konferenco, ki jo uradno podpira najprominentnejše evropsko združenje akademskih raziskovalcev s področja marketinga – EMAC (European Marketing Academy), je letos organiziral Inštitut za marketing na Ekonomsko-poslovni fakulteti v Mariboru. Na letošnjo konferenco je bilo prijavljenih 45 prispevkov iz 14 držav, tudi iz Združenih držav Amerike, Velike Britanije in Nizozemske. Dokaz uspešnosti konference je njeno nadaljevanje, saj bo naslednje leto konferenca organizirana kot prva uradna regionalna EMAC konferenca na Corvinus University v Budimpešti. Avtorji najboljših referatov so bili pozvani k preoblikovanju svojih del v izvirne znanstvene članke, ki jih zbrane ponujamo bralcem revije Akademija MM v tej številki.

Pester nabor člankov začenjamo z avtorjema iz Ekonomske fakultete v Zagrebu, Josipom Mikulićem in Darkom Prebežacem, ki v članku *Analyzing the potentials of airline service elements to impact passenger loyalty - A hierarchical approach* analizirata možen vpliv storitev letalskih prevoznikov na zvestobo potnikov v prihodnosti in na tej osnovi razvijata predloge o izboljšanju najpomembnejših sestavin storitev letalskega prevoznika. Avtorja ugotavljata, da je ponudba letov/destinacij dejavnik, ki najmočneje vpliva na ohranjanje zvestobe potnikov. Močan vpliv imata še dejavnika izkušnje z odnosom in izkušnje z letom. Na ohranjanje zvestobe potnikov najmanj appeared as the least important components of customer loyalty, despite the fact that the passengers stated them as very important.

The next article deals with the relationship between buyers and suppliers in car industry in South America. **Svetla Trifonova Marinova, Cid Gonçalves Filho, Gustavo Quiroga Souki and Marin Alexandrov Marinov** in *Buyer - Supplier Relationships in the South American Automotive Industry* try to find an answer to the question, how perceived quality of the relationship and opportunistic behaviour influence – through satisfaction and trust – on word-of-mouth communication, complaints, loyalty and purchasing intentions. The authors found that perceived quality of the relationship with the supplier has a strong impact on satisfaction and that opportunistic behaviour has a strong negative influence on trust. Trust and satisfaction with the relationship have a considerable influence on the amount of complaints. Based on research findings, the authors recommend that those dealing with suppliers have to establish such relationship, which would satisfy the suppliers, because it leads towards reduced complaints, has a positive effect on purchasing intentions and seeking new buyers. Despite the fact that the authors analyse the relationships in the car industry in South America, the findings are also relevant for our environment.

Vesna Žabkar, Tomaž Kolar and Rok Sunko in their article *Consumerist Attitudes in Slovenia, Croatia, BiH and Serbia: distinctiveness rather than commonalities?* investigate and analyse consumer attitudes towards different aspects of consumer's shopping decisions and assessing general consumption products in four ex-Yugoslav countries. The purpose of their research was to find out to what extent consumerist attitudes differ in selected surveyed countries, because these four countries are, due to historical and geo-political similarities, often dealt with as one region. Because of important differences among the consumers in these countries the authors do not favour standardised (region-centric) approach to the Central and East European countries and the Balkans region and suggest multi-local strategies and hybrid positioning.

Segmentation analyses of consumers are important yet extremely demanding projects. **Szabolcs Prónay, Erzsébet Hetesi and Zoltán Veres** have reported about such research in their article *Lifestyles and consumption in a transitional society: psychographic segmentation in Southern*

vplivata dejavnika izkušnje z letališčem in izkušnje z nakupom vozovnice, čeprav sta to dejavnika, katerih pomembnost ocenjujejo potniki kot visoko.

Naslednji članek obravnava odnos med kupci in dobavitelji v branži avtomobilske industrije v Južni Ameriki. Svetla Trifonova Marinova, Cid Gonçalves Filho, Gustavo Quiroga Souki in Marin Alexandrov Marinov v članku *Buyer - Supplier Relationships in the South American Automotive Industry* iščejo odgovor na vprašanje, kako percipirana kakovost odnosa in oportunistično vedenje vplivajo prek zadovoljstva in zaupanja na komuniciranje od ust do ust, pritožbe, zavezanost in nakupne namere. Ugotavljajo, da ima zaznana kakovost odnosa z dobaviteljem močan vpliv na zadovoljstvo in da ima oportunistično vedenje močan negativni vpliv na zaupanje. Zaupanje in zadovoljstvo z odnosom pomembno vplivata na raven pritožb. Na osnovi izvedene raziskave avtorji svetujejo, da morajo biti osebe v organizaciji, ki sodelujejo z dobavitelji, pozorne na oblikovanje takega odnosa, s katerim bodo dobavitelji zadovoljni, saj tak odnos posledično pozitivno vpliva na raven pritožb, nakupne namere in iskanje novih kupcev. Ne glede na to, da avtorji analizirajo odnose v avtomobilski industriji v Južni Ameriki, so ugotovitve relevantne tudi za naše okolje.

Vesna Žabkar, Tomaž Kolar in Rok Sunko v članku *Consumerist Attitudes in Slovenia, Croatia, BiH and Serbia: distinctiveness rather than commonalities?* ugotavljajo in analizirajo stališča porabnikov v zvezi z različnimi vidiki nakupovanja in vrednotenja izdelkov široke potrošnje v štirih državah bivše Jugoslavije. Namen raziskave je bil ugotoviti, v kakšni meri se stališča porabnikov v izbranih državah razlikujejo, saj se zaradi številnih zgodovinskih in geo-političnih podobnosti te štiri države pogosto obravnavajo kot enotna regija. Avtorji zaradi pomembnih razlik med analiziranimi državami odsvetujejo standardiziran (regio-centrični) pristop k trgom jugovzhodne Evrope in balkanske regije ter svetujejo uporabo multi-lokalne strategije in hibridno pozicioniranje.

Segmentacijske analize porabnikov so zahtevni, a pomembni projekti. Poročilo o tovrstni raziskavi nam v članku *Lifestyles and consumption in a transitional society: psychographic segmentation in Southern Hungary* predstavljajo Szabolcs Prónay, Erzsébet Hetesi in Zoltán Veres. V članku poročajo o raziskavi, v kateri so ugotavljali, če je segmentacijo, izvedeno na osnovi življenjskega stila, smiselno uporabiti za segmentiranje odjemalcev tudi v Madžarski in koliko je tak

Hungary. In their article they give an account of the research, in which they wanted to find out if the segmentation based on lifestyle can be implemented in Hungarian market setting and to what extent such approach to segmentation is successful from segmentations based on socio-demographic criteria. The authors distinguished eight clusters of consumers, which differ considerably, but cannot provide an answer about the relevance of lifestyle criteria or traditional socio-demographic criteria as the basis for segmentation.

In his article *The Impact of the Current Economic Crisis on Strategies of Multinational Corporations in Central and Eastern Europe* **Arnold Schuh** deals with the present financial and economic crisis and tries to make a contribution towards understanding the influence of the crisis on multinational corporations operating in Central and Eastern Europe, including companies operating in Slovenia. The author finds out that the crisis has stopped a trend towards mode decentralization in the corporate groups operating in CEE and that governments will have to become more active actors in the economic arena again.

The concept of market-oriented academic management as the key tool for a successful transformation of a traditional university business school into state-of-art academic business knowledge provider is presented by **Milan Jurše**. In his article *Dynamic Market-Oriented Strategic Transformation of University Business School in Transition Countries as Institutional Response to increased Internationalisation of Business Education*. The author, based on the analysis of key challenges in changing European higher education context, presents a holistic strategic framework for strategic business school management.

The last article is a contribution written by authors from three countries, Slovenia, the Netherlands and the United States. In their article entitled *Sales-Marketing Interface, Its Configurations and Effects: The Case of US, Dutch and Slovenian B2B Firms* **Maja Makovec Brenčič, Wim Biemans and Avinash Malshe** present the results of the comparative qualitative research regarding the relationship between marketing and sales on the inter-organisational market. Authors identified four distinct interface configurations and highlighted what relative advantages or disadvantages firms exhibit in terms of interface dynamics or firm's strategic outcomes as related to their configurations.

pristop k segmentiranju uspešnejši od segmentiranja, ki temelji na socio-demografskih kriterijih. Avtorji so v raziskavi ekstrahirali osem segmentov porabnikov, ki se med seboj dovolj dobro ločijo, a odgovora na vprašanje o smiselnosti uporabe življenjskega stila ali klasičnih socio-demografskih kriterijev kot osnove za segmentoranje še ne dajejo.

Arnold Schuh se loteva še zmeraj zelo aktualne teme trenutne finančne in ekonomske krize ter skuša skozi članek *The Impact of the Current Economic Crisis on Strategies of Multinational Corporations in Central and Eastern Europe* prispevati k razumevanju vpliva krize na multinacionalna podjetja, delujoča na področju srednje in vzhodne Evrope, kamor sodijo tudi podjetja, delujoča v Sloveniji. Avtor ugotavlja, da kriza predstavlja konec trenda, ki stremi k večji decentralizaciji poslovnih skupin, ki poslujejo v srednji in vzhodni Evropi ter, da bo svojo vlogo morala okrepiti tudi država.

Koncept tržno usmerjenega akademskega menedžmenta kot ključnega orodja za uspešno transformacijo tradicionalne univerzitetne poslovne šole v sodobnega akademskega ponudnika poslovnega znanja predstavlja avtor Milan Jurše. V prispevku *Dynamic Market-Oriented Strategic Transformation of University Business School in Transition Countries as Institutional Response to increased Internationalisation of Business Education*, na podlagi analize ključnih izzivov v spreminjajočem se evropskem visokošolskem kontekstu, predstavi celovit okvir za strateški menedžment poslovne šole.

Revijo zaključujemo s prispevkom avtorjev iz treh držav: Slovenije, Nizozemske in Združenih držav Amerike. Maja Makovec Brenčič, Wim Biemans in Avinash Malshe predstavljajo članek z naslovom *Sales-Marketing Interface, Its Configurations and Effects: The Case of US, Dutch and Slovenian B2B Firms*. V rezultatih primerjalne kvalitativne raziskave o odnosu med trženjem in prodajo na medorganizacijskem trgu avtorji identificirajo štiri oblike povezav med trženjem in prodajo in opredeliljo prednosti in slabosti le-teh z vidika strateških ciljev podjetja.

Upava, da vam v 14. številki Akademije MM ponujava dovolj zanimiv nabor člankov, seveda pa vas hkrati pozivava, da podate svoje komentarje, vprašanja in želje na naslov amm@dmslo.si ter na ta način prispevate k nadaljnjemu razvoju revije. Za večanje pomembnosti in zanimivosti revije v znanstvenem okolju in s tem

The editors hope that the 14th issue of Akademija MM covers an interesting range of articles and would like to invite you to send your comments questions and wishes regarding the articles to amm@dmslo.si and thus make your own contribution to the further development of our journal. In order to increase the importance and appeal of the journal Akademija MM in scientific environment, and to attract foreign authors to send their articles, it is necessary that the magazine is indexed in international databases. As noted in our previous issue, Akademija MM is indexed in EconLit, and the good news is that we have just entered the final stage of procedures regarding the indexation in Ebsco database.

We wish our magazine would provide a challenging reading experience and at the same time, we would like to take advantage of the moment to wish our readers a Happy New Year!

Damijan MUMEL and
Aleksandra PISNIK KORDA
Editors

privabljanje tujih avtorjev k oddaji prispevkov je nujno uvrščanje revije v mednarodne baze. Kot smo zapisali že v prejšnji številki, je Akademija MM indeksirana v mednarodni bazi Econlit, novica pa je, da smo pravkar tudi v zaključnih postopkih za uvrstitev v bazo Ebsco.

Ob branju vam želiva veliko novih spoznanj in miselnih izzivov, hkrati pa izkoriščava to priložnost še za iskrene želje po uspešnem prestopu v Novo leto!

Damijan MUMEL in
Aleksandra PISNIK KORDA
Urednika

ANALYZING THE POTENTIALS OF AIRLINE SERVICE ELEMENTS TO IMPACT PASSENGER LOYALTY - A HIERARCHICAL APPROACH

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Abstract: The aim of this paper is to analyze the potentials of airline service elements to impact intentional passenger loyalty. Based on this information, improvement-priorities of the service elements are derived. A regression-based framework is used to derive improvement-priorities under consideration of competitor airlines and asymmetric effects in customer satisfaction and intentional loyalty. A hierarchical attribute model of passenger services is used to minimize the risk of multicollinearity and to facilitate a more detailed analysis. The relevance and determinance of service elements in explaining customer loyalty do not necessarily converge, which has to be accounted for when prioritizing service elements. Moreover, several service elements are found to have a significantly asymmetric impact on satisfaction and loyalty. This is the first study to compare the relevance and determinance of airline service elements, and to analyze asymmetric effects in passenger satisfaction and loyalty.

Keywords: Airline services, improvement priorities, asymmetric effects, loyalty, satisfaction

ANALIZA MOŽNOSTI VPLIVA SESTAVIN LETALSKIH STORITEV NA ZVESTOBO POTNIKOV – HIERARHIČNI PRISTOP

Povzetek: Letalske družbe delujejo v zmeraj bolj dereguliranem okolju, saj na trg uveljavljenih letalskih prevoznikov vstopajo novi letalski prevozniki. Doseganja visoka stopnja zvestobe kupcev (ZK) zato postaja glavni strateški cilj managementa v letalskih družbah. Namen tega članka je, po eni strani, analizirati faktorje letalskih storitev, ki lahko vplivajo na zvestobo potnikov. Po drugi strani pa naša raziskava skuša predstaviti okvir za prednostno obravnavo tistih elementov storitve, ki jih je treba izboljšati, pri čemer je potrebno upoštevati konkurenčne letalske družbe in asimetrične učinke zadovoljstva potnikov in njihove zvestobe.

V raziskavi smo zbirali podatke dveh letalskih prevoznikov, ki poslujeta na večjem hrvaškem mednarodnem letališču in imata podoben vozni red, tako glede destinacij kot tudi pogostosti poletov. Prva letalska družba je za to raziskavo odločilnega pomena (FAL), medtem ko je druga njen glavni tekmec (CAL). Vzorec predstavlja 718 potnikov (FAL=383; CAL=335).

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Ker analitični okvir v tej raziskavi v glavnem temelji na multipli regresijski analizi, je bil uporabljen dvostopenjski pristop za storitve letalske družbe, ki je omogočil natančno analizo in zmanjšal nevarnost večkolinearnosti. Analiza se v prvem koraku osredotoča na glavne sestavine storitev letalskih prevoznikov, v drugem koraku pa na glavne atribute storitev. Za analizo ključnih dejavnikov ZK na ravni sestavin, kot tudi ključnih dejavnikov zadovoljstva na ravni atributov smo uporabili analizo relevantnosti-determinance (ARD) in analizo determinance-asimetrije (ADA).

Rezultati so pripeljali do zanimivega vpogleda v vpliv glavnih sestavin storitev letalske družbe na zvestobo potnikov v prihodnje. Analiza relevantnosti-determinance je pokazala, da *ponudba poletov/destinacij* predstavlja najpomembnejšo sestavino storitve pri razlagi ohranitve števila potnikov. *Odnosi-izkušnje* ter *polet-izkušnje* sta prav tako sestavini storitve, ki imata močan vpliv na zvestobo, čeprav se potnikom zdita nekoliko manj pomembni. Po drugi strani pa sta *izkušnja z letališčem* in *izkušnja pri nakupu vozovnice* najmanj pomembni za razlago zvestobe, četudi sta po mnenju potnikov izredno pomembni. V raziskavi je bilo nadalje ugotovljeno, da obstaja več pomembnih asimetričnih učinkov pri oblikovanju zadovoljstva potnikov s posameznimi sestavinami storitve.

Prednosti predlaganega pristopa so v tem, da uporablja dve najpogosteje uporabljeni merili atributov pomembnosti, poleg tega pa upošteva dejstvo, da na trgu obstajajo konkurenti. Druge prednosti predlaganega pristopa so v tem, da upošteva asimetrične učinke v zadovoljstvu in zvestobi kupcev ter morebitne probleme multikolinearnosti v podatkih o zadovoljstvu kupcev. Dejstvo, da pomanjkanje ozaveščenosti o teh vprašanjih lahko pripelje do napačnih priporočil glede sestavin storitve/prednostnih atributov, govori v prid velike vrednosti tega raziskovalnega okvirja za upravljanje letalskih storitev.

Gre za prvo raziskavo, ki primerja pomembnost in determiniranost elementov letalskih storitev in analizira asimetrične učinke pri zadovoljstvu in zvestobi potnikov.

Ključne besede: letalske storitve, prioriteta izboljšav, asimetrični učinki, zvestoba

1. INTRODUCTION

Airlines act in an increasingly deregulated environment, with new carriers constantly entering the markets of established ones. Achieving high levels of customer loyalty (CL) thus becomes a major strategic goal for the airline management.

In general, CL is regarded as a key outcome of service quality (SQ) and customer satisfaction (CS), and a crucial antecedent to business success (Anderson and Mittal, 2000). Since it is difficult to measure CL directly, behavioral intentions are usually used as a proxy. However, most studies dealing with the above relationships regard SQ and CS as summary concepts, and thus do not facilitate an insight into the strength and nature of impact that particular service elements have on CL. This study intends to fill this gap for airline services. Moreover, though the importance of the loyalty concept has been early recognized in the air transportation sector, there are only a few studies dealing with it. In most of these studies, CL is regarded as a pure behavioral concept, with price being the main determinant, and repeat purchase the ultimate goal, whereas scarce research pays attention to CS, SQ or relationship quality (e.g. Cheng *et al.*, 2008), which represent key drivers of psychological loyalty.

2. METHODOLOGY

The aim of this study, on the one hand, is to explore the main airline service elements influencing CL. On the other hand, this study further aims to introduce a framework for prioritizing the service elements for improvement, under consideration of competitor airlines and asymmetric effects in passenger satisfaction and PL.

For this study, data were collected for two full-service carriers operating at a major Croatian international airport with similar flight schedules regarding destinations and flight frequencies. The first airline is the focal airline of this study (FAL), whereas the second one is regarded its main competitor (CAL). In total, 718 airline passengers formed the sample for this study (FAL=383; CAL=335). The research instrument was a structured questionnaire which comprised measures for: (i) service attribute-performance; (ii) service component-satisfaction and (iii) intentional loyalty (IL). Service attribute-performance and service component-satisfaction were measured with single item seven point Likert scales, whereas IL was measured with four items derived from the scales of Zeithaml *et al.* (1996) and Taylor and Baker (1994). To generate the initial item pool of airline passenger service attributes, a qualitative study involving several open-ended questions with 30 airline passengers was conducted. The results were paired with items identified in previous research in the relevant literature. A panel of four expert judges then independently grouped the attributes into a smaller number of main components of airline passenger services. The categorizations were then compared by the expert judges, and refined in a three-stage iterative Delphi process. Based on the results from the qualitative research process, a pre-test questionnaire was constructed which comprised five service components (flight offer; ticket purchase experience; airport experience; flight experience; and relationship experience) with 34 items. The questionnaire was tested on a sample of 100 international airline passengers at a major Croatian airport. In order to explore significant intercorrelations among attributes, correlational matrices were computed. Attributes with high intercorrelations within the proposed service components were reassessed by the judges, who either excluded such attributes from the final attribute list or grouped them with other attributes. By the end of this process, the initial item pool was subsequently reduced to 25 service attributes.

2.1. ANALYTICAL FRAMEWORK

Since the analytic tools used in this study are primarily based on multiple regression analysis, a two-level approach to airline passenger services was used to facilitate a detailed analysis and to minimize the risk of multicollinearity. On the first level the analysis focuses on the main components of airline services, and on the second level on the main service attributes forming the components. To analyze the key drivers of PL at the component-level, as well as the key drivers of component-satisfaction at the attribute-level, relevance-determinance analysis (RDA) and determinance-asymmetry analysis (DAA) were used. The two analyses are explained in the two subsequent sections.

2.1.2. Relevance-determinance analysis

The RDA is an extension of traditional two-dimensional importance-performance analysis (IPA, Martilla and James, 1978). In the proposed approach, a third dimension was added to the analysis by using two measures of attribute-importance (AI) commonly used in IPA—i.e. direct AI ratings and weights obtained through MRA. Why were both measures used? Several studies failed to confirm convergence between these two measures, while several authors recommend not regarding them as alternative measures for the same concept (e.g. Mikulić and Prebežac, 2008; Smith and Deppa, 2009). Consequently, since the two measures apparently do not assess identical concepts, a combination of the measures would be likely to provide managers with surplus information regarding the ‘real importance’ of service attributes. But what do the two measures actually measure? According to a meta-review of the validity of AI measurement by Van Ittersum *et al.* (2007), direct AI ratings measure the *relevance* of service attributes whereas regression weights measure the *determinance* of service attributes. What is the difference between these two concepts? Attribute-relevance (AR), on the one hand, could be described as the customer-perceived importance of an element in a service-configuration based on existing industry norms. AR is thus similar to an attitude, as well as it is a relatively stable concept over time. On the other hand, attribute-determinance (AD) represents an attribute’s significance in judgment and choice (Myers and Alpert, 1977), and it is calculated “… based on the difference in (valuation of) different attribute levels” (Van Ittersum *et al.*, 2007, p.1180). But why do measures of relevance and (average) determinance not always correspond? Should not higher/lower relevance be an indicator of higher/lower determinance? One possible explanation is that there simply are no significant variations in attribute-performance (AP) for some attributes, while it may happen that such attributes show low and insignificant regression weights when regressed against overall satisfaction or IL, though they have high direct AI scores. Another possible explanation for AR-AD discrepancies is that AR ratings for some attributes are artificially inflated, though such attributes actually do not play a significant role in explaining variations in IL. There may frequently be some kind of *discrimination effect* which causes respondents to intentionally assign higher importance to core product/service attributes than to augmented product/service attributes, especially when they are presented next to each other in a questionnaire. However, core attributes are frequently provided by all competitors at a satisfactory level, and customers usually assume them to always perform well, while it can happen that augmented product/service attributes (lower relevance attributes) actually cause more variation in IL, and have larger AD scores compared to some core attributes. It is important to note that low and insignificant regression weights do not necessarily mean that attributes are not important in achieving high IL, but that they simply are not important in explaining variations in IL in a particular research setting.

Consequently, a comparison of the two measures facilitates the identification of four attribute-categories with distinct ‘importance-levels’ in explaining IL, and with subsequently different priority-levels when it comes to their improvement (Figure 1).

Figure 1: The relevance-determinance grid

DETERMINANCE	HIGH	**Secondary loyalty-drivers** (low relevance, but high determinance)	**Primary loyalty-drivers** (high relevance and high determinance)
	LOW	**Lower importance attributes** (low relevance and low determinance)	**Spurious loyalty-drivers** (high relevance, but low determinance)
		LOW	HIGH
		RELEVANCE	

- *Primary loyalty-drivers (high AR/high AD):* These attributes are perceived highly important by customers, and they have a strong influence on IL. The management should therefore assign this attribute-category highest priority in improvement strategies.

- *Secondary loyalty-drivers (low AR/high AD):* These attributes are perceived less essential by the customer for providing the core service, but they have nevertheless a large influence on IL. Attributes from this category usually form the augmented service. It is important to note that the importance of these attributes may be underestimated, if only a measure of AR is used as decision criterion.

- *Spurious loyalty-drivers (high AR/low AD):* These attributes are perceived very important by the customer, but they do not have a significant influence on IL. Attributes from this category are fully expected by the customer, and they are usually provided by all competing service providers at a satisfactory level. It is important to note that a low and insignificant level of AD (e.g. regression coefficient) might be a consequence of a lack of variance in AP data. Managers should therefore treat such attributes with care, because they might in fact be latent dissatisfiers with a strong negative impact on IL in case of performance-failures.

- *Lower-priority attributes (low AR/low AD):* Attributes in this category have lower levels of both AR and AD compared to other attributes. The management should assign this attribute-category lower priority than the other three categories in improvement strategies.

In our analysis, main competitor performance was further included as a fourth dimension into the RDA. However, since a 4D representation would be confusing, a 2D-grid was constructed using scores of AR and AD of service components, whereas components with CS scores below average (i.e. below the grand mean of component-CS scores) were marked with a minus (-), and components with CS scores above average were marked with a plus (+). Components performing below the CAL-level were further presented in italics. In order to keep the questionnaire length at a reasonable level, AR scores (i.e. direct importance scores) were collected only for the main service components. Thus, the RDA was conducted only at the service component level.

2.1.2. Determinance-asymmetry analysis (DAA)

The DAA was introduced by Mikulić and Prebežac (2008) as a research tool for categorizing service attributes according to the range of their impact on OCS, and the degree of asymmetry of their impact on OCS. To remain consistent with the terminology used in the previous section, the range of impact on OCS will be referred to as determinance, and the asymmetry of impact will be referred to as determinance-asymmetry (DA). In this study, DAAs were conducted at both the component- and attribute-level. Determinance scores were obtained through a MRA with scores of component-satisfaction (attribute-performance) as predictors, and IL (component satisfaction) as the criterion variable. DA was calculated in two steps. First, a MRA was conducted using two sets of dummy variables for each component (attribute) as predictors, and scores of IL (component satisfaction) as the criterion variable. The first dummy was created by coding highest scores to 1, whereas all other scores were coded as 0. This set was used to quantify the impact on the criterion in case of very high perceptions (reward coefficient). The second set was created by coding lowest scores to 1, whereas all other scores were coded as 0. This set was used to quantify the impact on the criterion in case of very low perceptions (penalty coefficient). In the second step, reward coefficients and penalty coefficients for each component (attribute) were divided by their sum, and difference scores were calculated to obtain DA scores ranging from -1 to +1. A DA score of -1 means the component (attribute) has only dissatisfaction-generating potential (DGP), whereas a score of +1 means it has only satisfaction-generating potential (SGP). By depicting scores of determinance and DA along the axes of a two-dimensional grid, the analysis facilitated the identification of low-, medium- and high impact components (attributes), as well as a categorization of components (attributes) based on the degree of their DA.

3. ANALYSIS AND RESULTS

The RDA on the service-component level (Figure 2) revealed that one service component was a primary loyalty driver—i.e. *flight offer*. *Flight offer* is perceived important by customers when choosing an airline, and it indeed strongly impacts IL. As its satisfaction score is quite low (4.85), and below the CAL level (5.21), this component should be assigned highest priority in improvement strategies. Moreover, two components were categorized as secondary loyalty drivers—i.e. *relationship experience* and *flight experience*. These components are considered less important in airline choice, but they nevertheless strongly influence IL. As the satisfaction score of *relationship experience* is below average (5.03) and the CAL level (5.11), it should be improved right after *flight offer*. *Airport experience* and *ticket purchase experience* were

Figure 2: RDA for airline service components

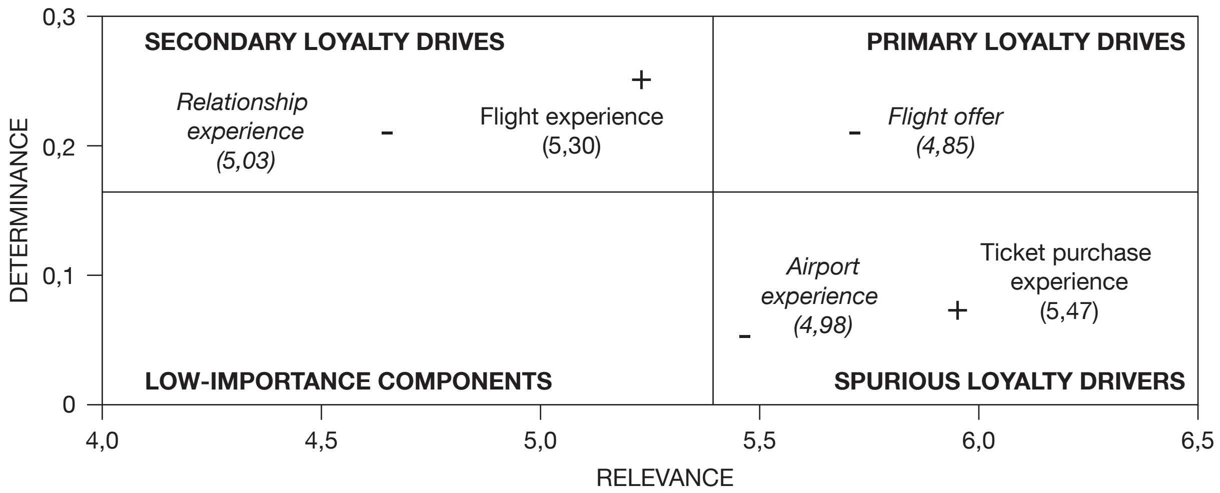
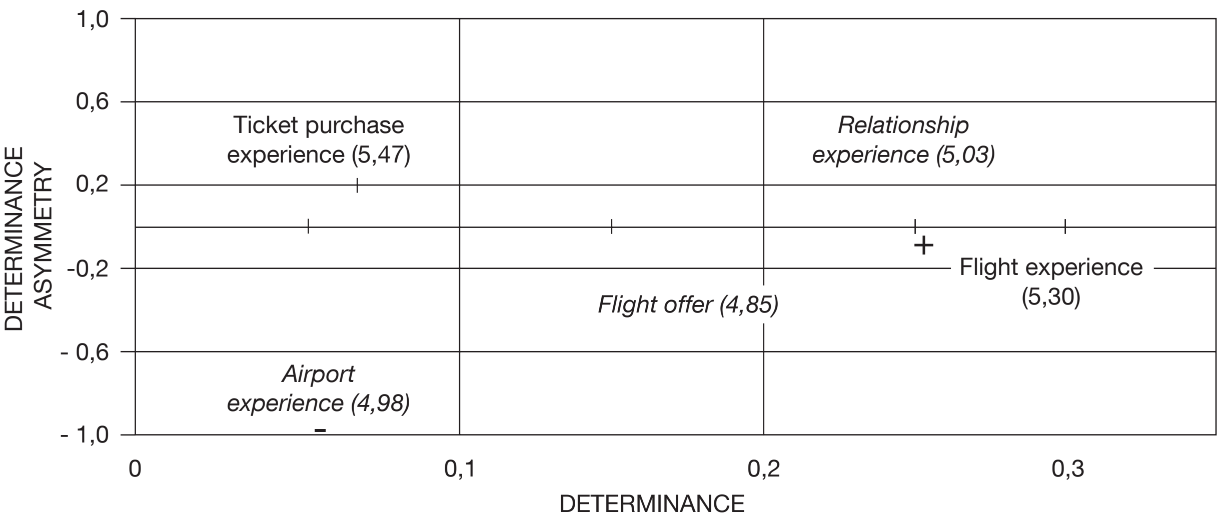


Figure 3: DAA for airline service components



categorized as spurious loyalty drivers. Passengers consider them very important when choosing an airline, but they in fact do not strongly influence IL.

In the next step, a DAA was performed to reveal asymmetries in the relationship between component-satisfaction and IL (Figure 3). The analysis revealed that four of five components approximately linearly impact IL—i.e. *ticket purchase experience*, *flight offer*, *relationship experience* and *flight experience*. The only component with a significant asymmetric influence on IL was *airport experience*. Since the asymmetry is extremely negative, this component has no positive influence on IL, even in the case of very high satisfaction levels. However, in the case of low satisfaction levels, the *airport experience* negatively influences IL.

To explore the key drivers of service component satisfaction, in the following step DAAs were conducted at the attribute-level.

The DAA for the component *flight offer* (Figure 4), which is a primary loyalty driver, revealed three highly determinant attributes with a significant positive asymmetrical influence on component-satisfaction—i.e. *partnership destinations*, *destination attractiveness* and *destination variety*. In other words, these attributes have a significantly larger satisfaction-generating potential (SGP) than dissatisfaction-generating potential (DGP). *Destination attractiveness* and *partnership destinations* are performing above both component average and the respective CAL-levels. However, *destination variety* performs below both component-average and the CAL-level, while it should be assigned highest priority

Figure 4: DAA for flight offer

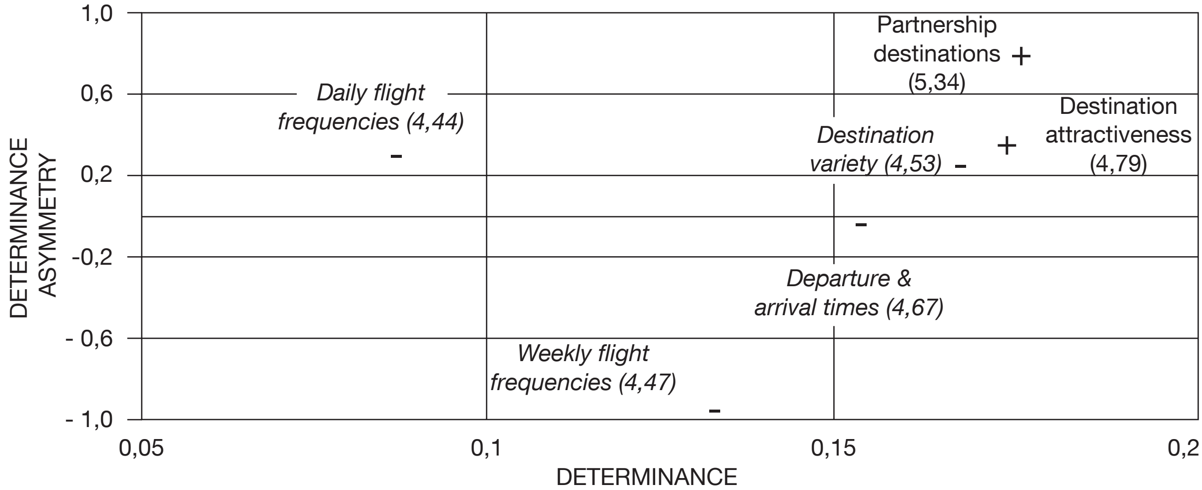
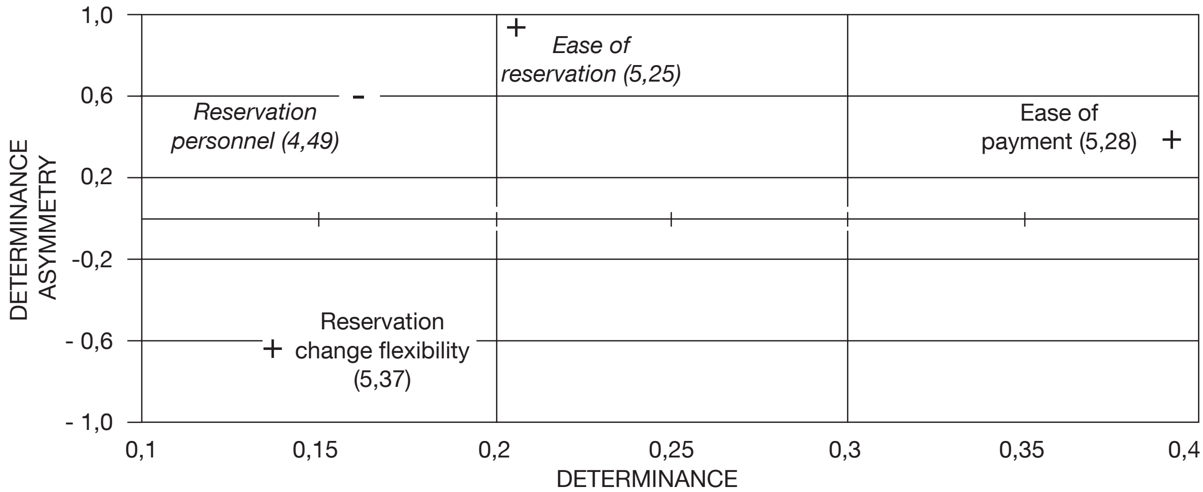


Figure 5: DAA for ticket purchase experience



within this component. High priority should as well be assigned to *attractiveness of departure and arrival times*.

Key drivers of satisfaction with the *ticket purchase experience*, which is a less important component in explaining IL, are shown in Figure 5. The DAA revealed that *ease of payment* is dominant in determining component satisfaction. This attribute has a significantly larger SGP than DGP, and performs above both component-average and the CAL level, while it does not necessitate managerial action.

The DAA for the *airport experience* (Figure 6), which is a spurious key driver of IL, revealed that the airline should mainly focus on *on-time performance* and *airport lounge attractiveness*. Both attributes are highly determinant and perform below both component-average and the CAL level. As *lounge attractiveness* has a significantly larger DGP than SGP, and a much lower performance-level than *on-time performance*, the management should consider assigning this attribute highest improvement priority within this component.

The DAA for the *flight experience* (Figure 7), which is a secondary loyalty driver, revealed that three attributes largely determine the level of component-satisfaction—i.e. *cabin staff*, *cleanliness of aircraft* and *comfort level of aircraft*. Highest improvement priority should be assigned to *comfort level of aircraft*, as this attribute has a significantly larger DGP than SGP, and is performing quite low (though above the CAL level). After having resolved the performance problems of this attribute, the management

Figure 6: DAA for airport experience

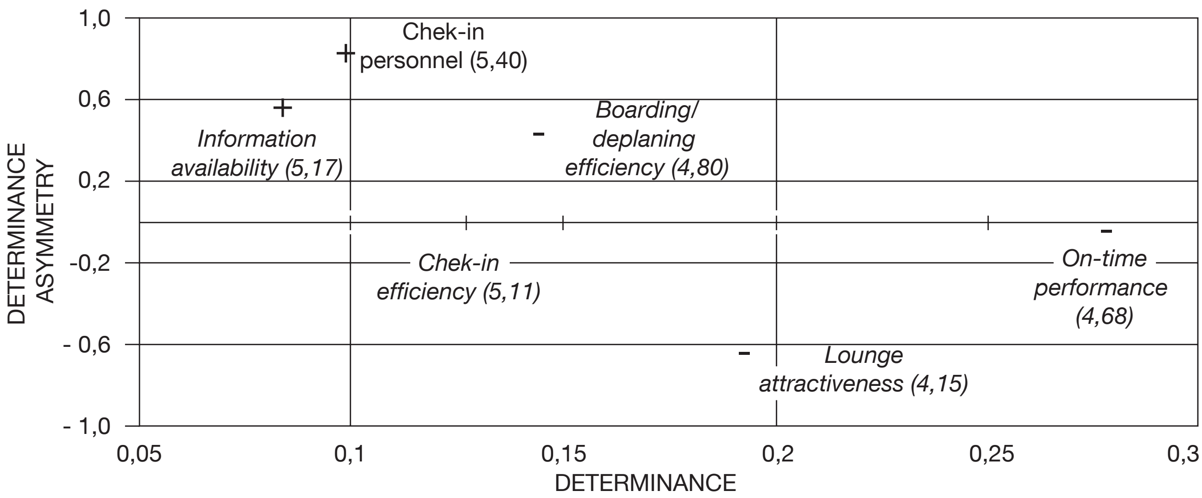
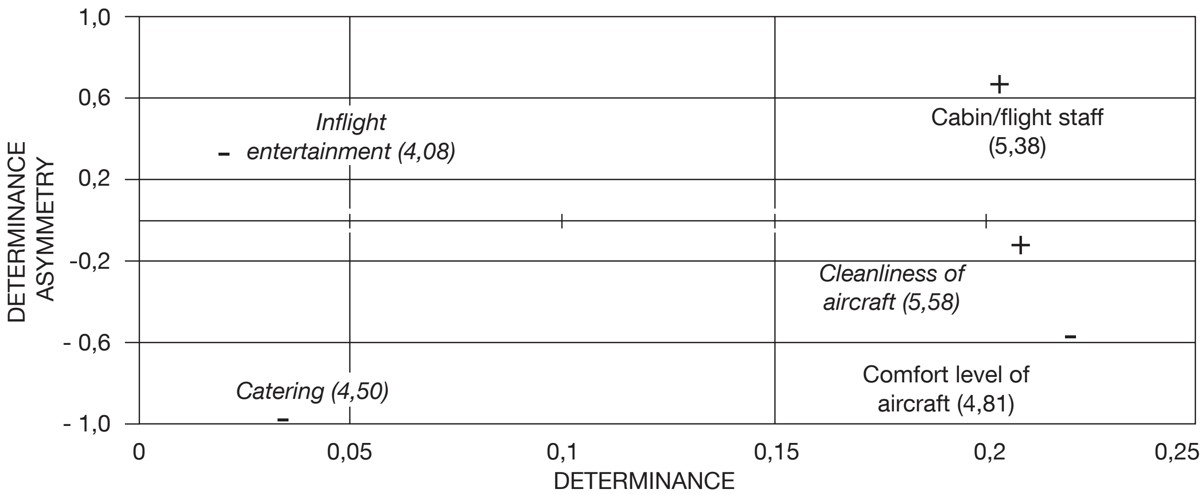


Figure 7: DAA for flight experience



should consider improving *cleanliness of aircraft*, as its performance-level is below the CAL level. The attribute *cabin/flight staff* does not necessitate any action, as its performance-level is above both component-average and CAL level. The remaining two attributes—i.e. *in-flight entertainment* and *catering* are less important in determining component-satisfaction. However, both have very low performance-levels (below component-average and CAL level), why they should be considered for improvement after having resolved the previously mentioned performance shortfalls. Among the two attributes, *catering* should be improved first, as it has only DGP.

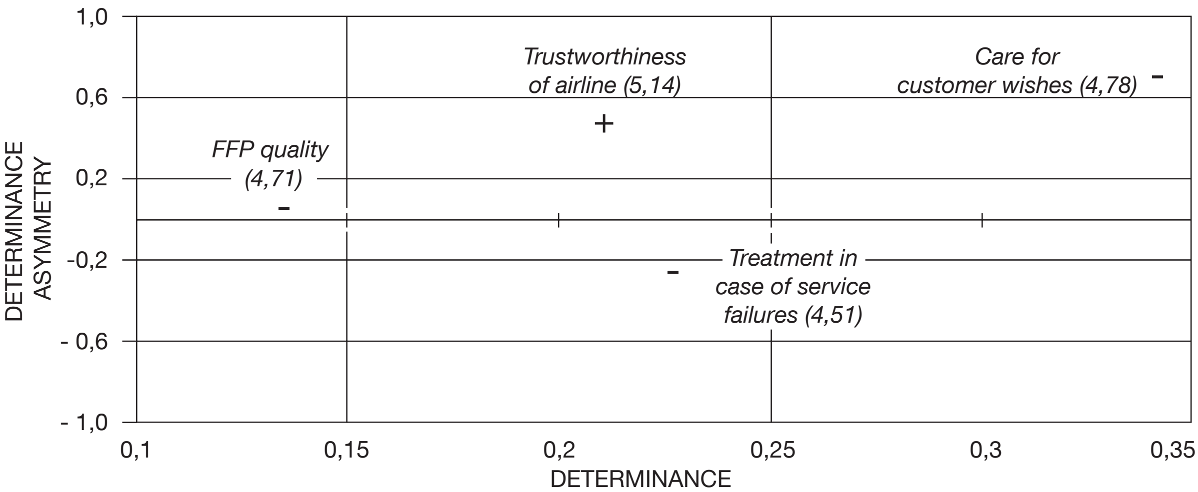
The key drivers of the *relationship experience*, which is a secondary loyalty driver, are presented in Figure 8. All four attributes forming this category perform below the respective CAL levels, while this category should generally be assigned high priority in improvement strategies. The attribute with the largest influence on component-satisfaction is *care for customer needs and wishes*. This attribute has a significantly larger SGP than DGP, and its performance-level is very low (4.78). The airline should therefore assign this attribute highest improvement-priority within this component, since this attribute bears a large potential to increase component-satisfaction, and consequently IL.

4. CONCLUSION

This study provided an interesting insight into the influence of the main airline service components on intentional passenger loyalty. A relevance-determinance analysis revealed that the *offer of flights/destinations* is the most influential service-component in explaining passenger retention. The *relationship-experience* and the *flight-experience* emerged as service-components which also have a strong influence on IL, though they are perceived relatively less important by the passengers. Conversely, the *airport experience* and the *ticket purchase-experience* appeared as the least influential components in explaining IL, though the passengers stated them to be very important. In a subsequent analysis on the service-attribute level (i.e. the level of attributes forming the components), the study further revealed several significant asymmetric effects in the formation of passenger satisfaction with the particular service components.

Moreover, the authors of this study derived improvement priorities of airline service components, and service attributes forming the components. In fact, the proposed analytical framework could be described as an extended importance-performance analysis (Martilla and James, 1977), which uses the two most commonly used measures of attribute-importance, as well as it considers the existence of competitors in the market. Further advantages of the proposed approach are that it considers asymmetric effects in passenger satisfaction and loyalty, and the potential problem of multicollinearity in customer satisfaction data. The fact that a lack of awareness about these issues might result in misleading recommendations regarding service component/attribute prioritization, underpins the high managerial value of the framework.

Figure 8: DAA for relationship experience



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BUYER-SUPPLIER RELATIONSHIPS IN THE SOUTH AMERICAN AUTOMOTIVE INDUSTRY

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Abstract: This study analyzes the relationships between buyers and suppliers in South American automotive industry. The relations between buyers and suppliers can affect the supply chain performance as they impact stock levels, prices, operations flexibility, opportunistic behaviour, commitment and trust among the players. In the study, the transactional benefits, meaning, the advantages obtained by the customer from the service provider, are included to identify their impact on relationship satisfaction and relational commitment. A survey approach is used to evaluate the relationships of suppliers and buyers and interpret their behavioural intentions. Using Structural Equation Modelling, the impacts of relationship quality, commitment, trust and satisfaction have been tested, taking into account the behavioural intentions of buyers towards suppliers, their verbal communication and price sensitivity. The model combines the relational benefits from the quality of relationship approach and specifies how these relational benefits can influence two key results of a relationship – word of mouth communication and loyalty. The research findings suggest that opportunistic behaviour is an important construct in buyer-supplier relationships and must be managed and measured with care. The paper attempts to make a contribution to the understating of buyer-supplier relationships and proposes an analytical model for researching relationships in supply chain management.

Key words: automotive industry, buyer-supplier relationships, perceived quality, trust, commitment, behavioural intentions

ODNOS MED KUPCI IN DOBAVITELJI V AVTOMOBILSKI INDUSTRIJI JUŽNE AMERIKE

Povzetek: V članku avtorji obravnavajo odnos med kupci in dobavitelji v avtomobilski industriji v Južni Ameriki. Odnosi med kupci vplivajo na uspešnost delovanja dobavne verige, saj imajo vpliv na raven zalog, cene, fleksibilnost operacij, oportunistično vedenje, predanost in zaupanje med udeleženci. Članek se osredotoča na transakcijske koristi, pomen in prednosti, ki jih ima kupec od dobavitelja storitev, s čimer želijo avtorji ugotoviti, kakšen je učinek na zadovoljstvo in predanost v odnosu kupec-dobavitelj. Za oceno odnosov in razlago vedenjskih namer med dobavitelji in kupci avtorji izvedejo raziskavo z uporabo strukturiranega anketnega vprašalnika. Z uporabo modela strukturnih enačb testirajo vpliv na kakovost odnosov, predanost, zaupanje in zadovoljstvo, pri čemer upoštevajo vedenjske namere kupca do dobavitelja, njuno verbalno komunikacijo in cenovno občutljivost. Model združuje koristi, ki izhajajo iz kakovosti odnosov in opredeljuje, kako lahko tovrstne koristi vplivajo na dve ključni vrsti rezultatov, ki izhajajo iz odnosa – komunikacijo od ust do ust in zvestobo. Rezultati raziskave kažejo, da je oportunistično vedenje pomemben gradnik v odnosu med kupcem in dobaviteljem, ki ga je potrebno previdno upravljati in skrbno meriti. Članek predstavlja prispevek k razumevanju odnosov med kupci in dobavitelji in predlaga analitični model za raziskovanje odnosov pri upravljanju dobavne verige.

Ključne besede: avtomobilska industrija, odnos kupec-dobavitelj, zaznana kakovost, zaupanje, predanost, vedenjske namere

1. INTRODUCTION

The car industry in South America has undergone rapid expansion that has led to more stringent competition, increased consumer choice, augmented alliance of quality with low cost, and greater intensity of technological innovation. Alongside these challenges, leading automotive manufacturers have strived to sustain their competitive advantages by improving the relationships with suppliers and other stakeholders.

McKenna (1991, 1993) argues that relationship marketing should permeate all parts of an organization to achieve a dialogue between buyers and suppliers in business-to-business markets (Bruhn, 2003). This should lead to satisfaction of needs and long-term exchanges between suppliers and buyers. Morgan and Hunt (1994) have developed the view that relationship marketing represents a significant refinement of marketing theory and practice. In line with them, Gordon (1999) has suggested that the marketing mix approach is too limited to provide a usable framework for assessing and developing buyer-supplier relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on relationships and interaction over time, rather than markets and products. Gordon (2000) also emphasizes that relationship marketing, although embedded in traditional marketing theory, brings a different conceptualization.

This study focuses on the way in which perceived quality of buyers and suppliers' satisfaction interacts with the relationships impact on behavioural intentions of suppliers. The interaction of the above constructs in a structured nomological chain is also investigated. Although the business-to-business market encompasses a huge amount of transactions, studies researching the perceived quality of buyers and the behavioural intentions of suppliers, are limited. Among other reasons, difficulties with data collection could be a contributing factor.

2. LITERATURE REVIEW

The wider meaning of marketing refers to activities developed in order to generate and facilitate exchanges satisfying human necessities and desires (e. g., Semenik and Bamossy, 1995 Etzel *et al*., 2001; Grönroos, 2004). Critics to the traditional notion of marketing emphasize its exclusive transactional nature (e.g. Broadie *et al.* 1997; Jüttner and Wehrli, 1994). The transaction approach to marketing faces many challenges (Nicholls and Roslow, 1988). According to Grönroos (2004), the majority of business-to-business markets are mature, with a surplus of supply where buyers are becoming increasingly difficult to find. This situation led to the increased importance of buyer retention.

Extant literature has predominantly studied the importance of creating value in buyer-supplier relationships from the perspective of the buyer. Cannon and Homburg (2001) have developed a model that explains how the supplier behaviours and the management of suppliers affect a buyer firm and buyer's intentions to expand future purchases from the supplier.

Hennig-Thurau *et al.* (2002) have suggested the use of integrative model of key determinants of the results of relational marketing in the context of social and service exchanges. The model combines the relational benefits from the quality of relationship approach and specifies how these relational benefits can influence two key results of a relationship – word of mouth communication and loyalty. The key variables model of Morgan and Hunt (1994) evaluates the strength of commitment as a mediating variable of the key determinants of relationship marketing. In a survey-based field study of 1,068 business customers of a manufacturer of hydraulic and pneumatic equipment Chakraborty *et al.* (2007) have found three drivers of customer satisfaction, namely, reliability, product-related information, and commercial aspects.

In this study, the transactional benefits, i.e. the advantages obtained by the customer from the service provider, are included to identify their impact on relationship satisfaction and relational commitment. For the purposes of the research, conceptual definitions of the components of the proposed hypothetical model are provided in order to explain the constructs involved:

Satisfaction**:** Obtaining satisfaction means receiving a satisfactory response from a consumer in a purchasing or service relationship. It is the judgment made of a feature of a product or a service which has given or gives agreeable or pleasurable levels of consumption (Oliver, 1980). In other words, the experience coming from an act of consumption generates satisfaction whenever what is received is equal to or better than what has been anticipated.

Commitment**:** It is an exchange where a partner believes that continuing to maintain a relationship with another party is of such an importance that he/she would do their utmost to maintain the relationship, that is, the committed party believes that it is worth the effort to guarantee that the relationship continues indefinitely (Morgan and Hunt, 1994). Commitment may also mean that a company or a person, as part of a relationship, feels, to a degree, motivated to do business with the other partner (Grönroos, 2004).

Perceived Quality: Since it is a topic that has been widely accepted by many areas of research, the concept of quality has many diverse definitions. According to Grönroos (2004), quality may be conceptualized as "the level of excellence that a company chooses to attain in order to satisfy its target customers and, at the same time, the extent to which it manages to reach this level". Slack *et al.* (1997) support the notion that quality should consistently comply with customer expectations. Adoption of a user-centred definition of quality means the user's perception of quality is put in focus. Taking a different perspective, Zeithaml *et al.* (1996) have defined perceived quality as the consumer's judgment about the general excellence or superiority of the product or service. Perceived quality is divided conceptually into two elements: product quality, which consists of the quality of the physical product's attributes and the quality of the services. The latter aspect of perceived quality represents the interactive association between the customer and the elements of the service, such as, the behaviour of the company's employees (Zeithaml, 1988).

Word of Mouth Communication: According to Hennig-Thurau *et al.* (2002) this is the informal communication between customers and other people relating to the evaluation of goods or services, including reports of pleasant or new experiences, recommendations to others and the person's own particular recommendations.

Trust: Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange party's reliability and integrity. Developing further this concept, Zaheer *et al.* (2006) have investigated the determinants and outcomes of trust in buyer-supplier relationships and how trust relates to supplier performance. Moorman *et al.* (1993) define trust as willingness to rely on an exchange partner in whom one has confidence. The prevailing view of extent literature suggests that confidence of one party on the trusting party results from the solid belief that the trustworthy party is reliable and has high integrity. These are associated with such qualities as consistency, honesty, responsibility, and benevolence.

Behavioral Intentions: Zeithaml *et al.* (1996) have proposed that service quality has a direct impact on behavioural intentions of customers that could be favourable or unfavourable. Existing research suggests that positive things relate to actions such as recommend, remain loyal, spend more, and pay premium prices. Meanwhile negative things relate to complaints. Overall, less business with a company is a possible behavioural intention that could be caused by the level of perceived service quality provided by the entity in question.

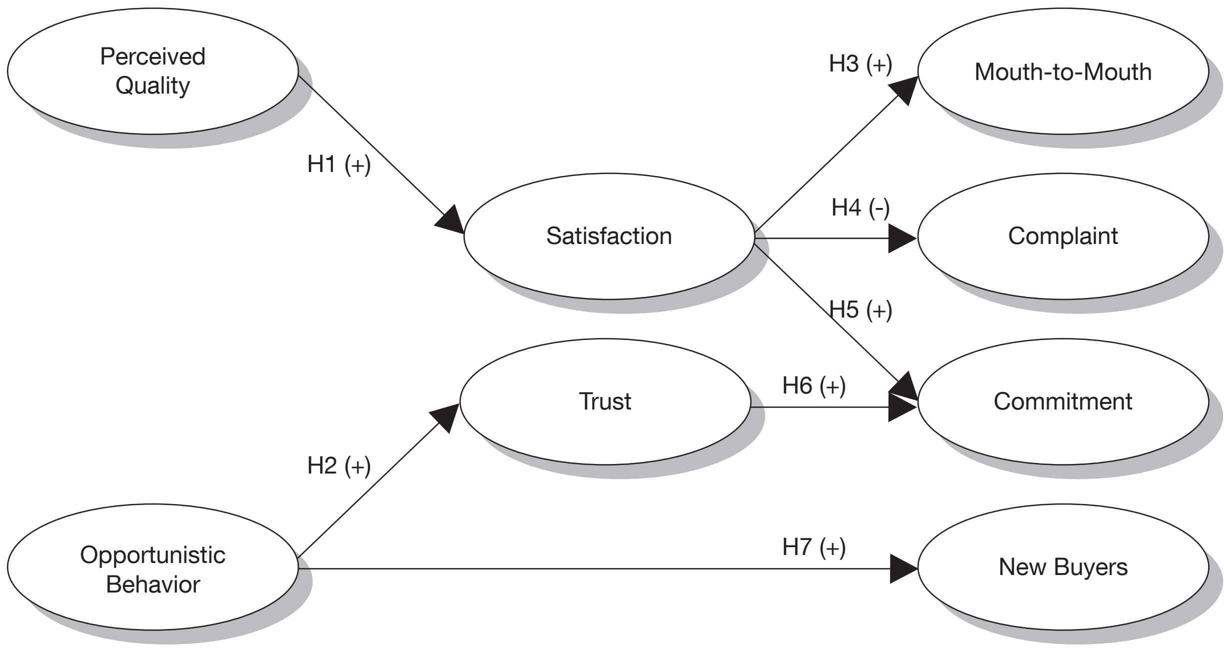
Opportunistic Behaviour: Semeijn *et al.* (2006) define opportunism as self-interest seeking with guile and it includes overt behaviour such as lying, cheating and stealing, as well as subtle behaviour such as dishonouring an implicit contract, avoidance, and failing to fulfil promises and obligations (Jap, 2001). Opportunistic behaviour can be explained using agency theory, which is concerned with the relationship between a superior (a principal, e.g. a buyer) and a subordinate (an agent, e.g. a supplier). Because there is an imbalance of power in the relationship, it is likely to have a divergence of interests between the principal and the agent and the possibility of opportunism exists. In the agency literature, it is assumed that the buyer (principal) has more power than the supplier (agent). This power increases if the supplier (agent) has to purchase specific assets. Morgan and Hunt (1994) found that perceived opportunistic behaviour by a party will lead to decreased trust in the relationship between the parties.

3. RESEARCH MODEL AND HYPOTHESIS FORMULATION

The research hypotheses have been defined on the basis of the constructs outlined above and using previous research on relationship marketing (Hennig-Thurau *et al*, 2002; Arnett *et al*, 2003; Morgan and Hunt, 1994, Fornell *et al*. 1996, Churchill and Peter, 2000). Figure 1 is a graphic presentation of the developed hypothetical model.

On the basis of the above presented model the following hypotheses are proposed:
H1: There is a positive impact of perceived quality on supplier's satisfaction.
H2: There is a negative impact of opportunistic behaviour on supplier's trust.
H3: There is a positive impact of perceived quality on supplier's mouth to mouth communication.
H4: There is a negative impact of satisfaction on supplier's complaint intentions.
H5: There is a positive impact of satisfaction on supplier's commitment.
H6: There is a positive impact of trust on supplier's commitment.
H7: There is a negative impact of opportunistic behaviour on supplier's intentions to look for new buyers.

Figure 1: Hypotheses Supporting Research Model



3.1. EXPLORATORY PHASE – DEVELOPMENT OF MEASURES

The measurements of the constructs have been accomplished in a series of steps. Firstly, with base in the defined constructs, the items of measurement of the constructs have been obtained from previous research. The scales have been altered for 11 points, seeking the treatment of variables as continuous. In the second stage, the list of the constructs and measurement items has been submitted to a panel of marketing specialists. A pre-test with 50 respondents has been carried out and analyzed. The resulting indicators of the constructs are presented in Table 1.

3.2. OPERATIONAL PHASE

The research was conducted in 2007. One hundred and thirty-five answers have been obtained from the biggest suppliers of one of the largest automotive manufacturers in South America. The respondents accounted for more than 80 percent of the value of the purchases of the buyer. About 24 percent of the suppliers were large and had more than 1,000 employees. More than 50 percent of the suppliers had more than 20 years of relationships with the buyer. All suppliers participating in the research were sent an electronic version of the questionnaire with an ID and a password. The questionnaire was accompanied by a letter inviting the supplier to participate in the research. Armstrong and Overton (1977) suggest that it can be considered that the profile of the respondents of the last 25 percent of received questionnaires will resemble the profile of the non respondents for mailed research. Because of that a comparison of the 75 percent of answers of initial respondents has been made with the answers of the final 25 percent of respondents. This comparison has been considered as an element to the averages of the constructs (Armstrong and Overton, 1977; Li and Calantone, 1998). Such a test has allowed for verification of non-response bias, and has shown significant statistical difference at the level of 5 per cent between the averages of the constructs. Verification for not presentation of the non-response bias has been conducted.

3.3. EXPLORATORY ANALYSIS OF THE DATA

The exploratory analysis of the data followed methodologically a series of stages to explore the data and verify some requisites of multivariate

Table 1: Operationalization of Constructs used in the Model

Constructs	Sources and Meaning
Perceived Quality of Buyer	Fornell *et al.* (1996), Zeithaml *et al.* (1996) and the specialists panel. Composed of 6 factors: - ordering, - product development, - cost analysis, engineering, - cost reduction, - operations and parts.
Satisfaction	Oliver (1997) - psychological aspects of satisfaction formation and its applicability to all product or service categories.
Opportunistic Behaviour	Morgan and Hunt (1994) - perceived opportunistic behaviour by a party will lead to decreased trust in the relationship between the parties.
Trust	Morgan and Hunt (1994) - trust between parties exists when one party has confidence in an exchange party's reliability and integrity.
Commitment	Morgan and Hunt (1994) – an exchange where a partner believes that continuing to maintain a relationship with another party is of such an importance that he/she would do their utmost to maintain the relationship, that is, the committed party believes that it is worth the effort to guarantee that the relationship continues indefinitely.
Behavioural Intentions	Fornell *et al.* (1996) , Zeithaml *et al.* (1996) and the specialists panel. These include: - service quality has a direct impact on behavioural intentions of customers, - customization is more important than reliability in determining customer satisfaction, - customer satisfaction is more quality-driven than value- or price-driven.

analysis; treatment of missing values; treatment of reverse items; analysis of outliers (uni- and multi-variety); analysis of normality; analysis of linearity.

3.4. VALIDITY OF THE MEASUREMENTS

Construct Unidimensionality

Firstly, a factorial analysis of the items has been executed by construct to verify the unidimensionality, as suggested by Germain *et al.* (1994).

The behavioural intentions construct consisted of a list of all possible intentions presented in the literature and suggested by the panel of marketing specialists (see Table 1), by the buyers and in the personal interviews with suppliers. An exploratory factor analysis has been accomplished, and it has been verified for the suppliers. The behavioural intentions can be explained by the following three factor structure:

- Complaint: refers to personal and professional complaints made by suppliers to organizations (other suppliers), friends, employees, family and to justice, using their contractual rights;
- Mouth-to-mouth communication: positive recommendations provided by suppliers to family, friends and other suppliers.
- New buyers: when the suppliers intend to look for new customers, who could provide more attractive business conditions to glade their products with better margins.

Due to the characteristics of the construct and its complexity (6 dimensions and 59 items), the perceived quality construct has been evaluated using a confirmatory factor analysis. The items presented adequate convergent validity, with significant weights at 5 per cent level.

All others constructs corresponded to the requirement of unidimensionality.

Analysis of Reliability – Cronbach Alpha

With the exception of the construct “New Buyers” (alpha =0.45), all others constructs reached a value of Cronbach alpha above 0.75.

Discriminant Validity

Discriminant validity was accomplished using the procedure recommended by Bagozzi *et al.* (1991).

Convergent Validity

To verify the convergent validity of the constructs, each construct has been submitted to a confirmatory factor analysis, observing the significance of each item load in the respective constructs. Such a procedure has been indicated by Bagozzi *et al.* (1984), and by Im *et al.* (1998).

4. RESULTS

Structural Equations - Methodology and Technical Application

According to Hair *et al.* (1998), structural equations have been used in the study of varying fields including marketing, administration, organizational behaviour and even genetics. The reasons for this fact are: (1) they provide a method to work simultaneously with multiple relationships, while statistically efficient; (2) have the ability to evaluate the relationships and provide a transition of exploratory analysis to confirmatory analysis.

This study opted for direct estimate, using the covariance matrix advised by Hair *et al.* (1998). The normality premise is particularly important when choosing the estimate method. The method Maximum Likelihood - ML, has been a commonly used approach in structural equation modelling. Byrne (1995) also argues in favour of the use of ML due to its robustness with relationship to small deviations of the multivariate normality. The structural relationships for validation of hypotheses and models were accomplished using AMOS 4.0 of SPSS. The model is presented in Figure 2.

The model $|\chi^2$/g.l=2,18|GFI=0,87|AGFI=0,77|HOELTER=62) has relative stability. Absolute adjustment does not exist because p-value is less than zero. The value of RMSEA is smaller than 0.08 indicating an acceptable adjustment of the model. The incremental fit measures are greater than 0.9 (NFI=0.909. TLI=0.933), which is advisable according to Hair *et al.* (1998). Other indexes of incremental adjustment (GFI, AGFI, NNFI, CFI) are adequate and near the critical value of 0.90. Other results that contribute to the acceptance of the model are the normalized chi-square (X^2/gl) whose value should be inferior to 3.0, as proposed by Latif (2000). The normalized chi-square in this study is 2.18, which means that the model is acceptable.

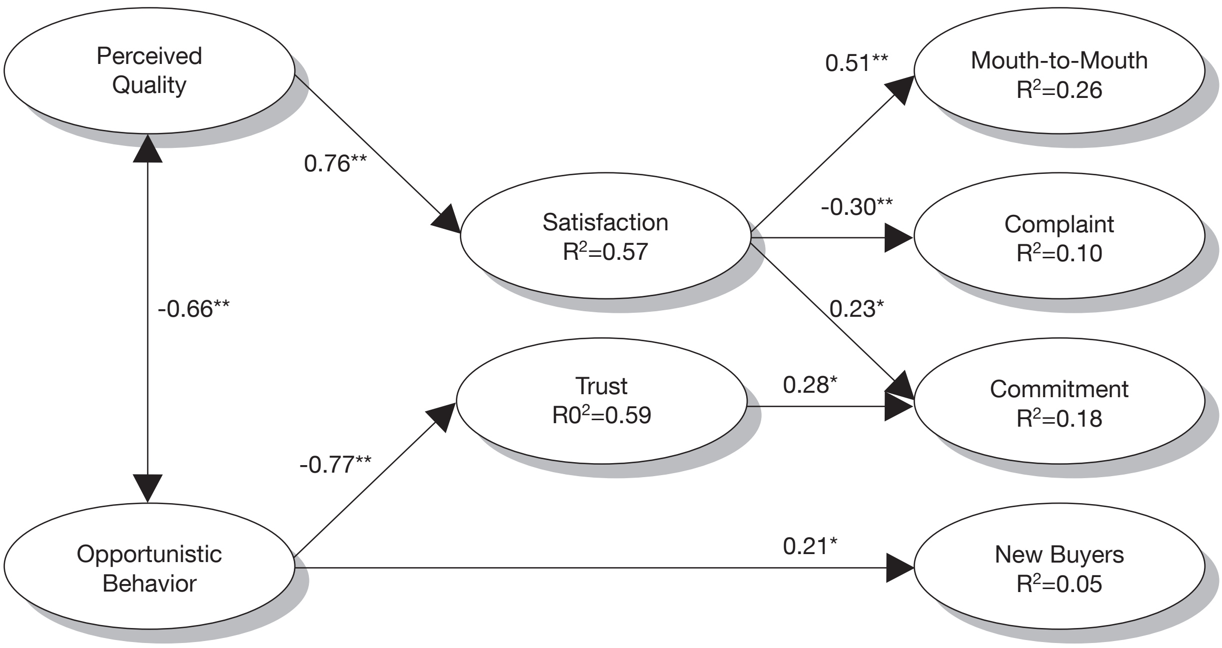
Testing of Hypotheses

Table 2 presents the results of the testing of the hypotheses

Table 2: Evaluation of the hypothetical relationships

Hypotheses	Hypothetical Relationship	Result
H1: There is a positive impact of perceived quality on supplier's satisfaction	Positive	Confirmed[1]
H2: There is a negative impact of opportunistic behaviour on supplier's trust	Negative	Confirmed[2]
H3: There is a positive impact of perceived quality on supplier's mouth to mouth communication	Positive	Confirmed[1]
H4: There is a negative impact of satisfaction on supplier's complaint intentions	Negative	Confirmed[2]
H5: There is a positive impact of satisfaction on supplier's commitment	Positive	Confirmed[1]
H6: There is a positive impact of trust on supplier's commitment	Positive	Confirmed[1]
H7: There is a negative impact of opportunistic behaviour on supplier's intentions to look for new buyers	Negative	Confirmed[2]

[1] Estimate is positive and significant
[2] Estimate is negative and significant



5. DISCUSSION OF THE RESULTS

An initial analysis of the model, from the viewpoint of the antecedents of relationship satisfaction, suggests that perceived relationship quality (B = + 0.76) has a strong impact on satisfaction. It was also verified that opportunistic behaviour has a strong impact on trust (B = - 0.77). Opportunistic behaviour is a common practice in the South American automotive industry due do the concentration of power of the buyers in this competitive context that involves huge amounts of money and a relatively small number of players. Trust has a significant impact on commitment (B = + 0.28). Commitment can be considered an important indicator of relationship quality and long-term intentions to invest in the relationship. The significant impact of opportunistic behaviour on "New Buyer" (suppliers searching for new buyers that could offer more attractive conditions), indicates that opportunistic behaviour must be an important managerial and strategic dimension that must be measured and adopted with restrictions, because it could probably have an impact on suppliers behaviour in the long term.

It was also observed that relationship satisfaction has a strong impact on commitment (B = + 0.23). To obtain commitment, buyers must create trust (that can be maximized through reduction of opportunistic behaviour) and satisfaction in suppliers. As satisfaction is a transitory feeling, the creation and maximization of commitment looks like a good strategy to develop strong relationships with suppliers.

The impact of the satisfaction on mouth to mouth communication (B = + 0.51) demonstrates the importance of satisfaction for obtaining behavioural intentions that can contribute to the image of the organization among suppliers. This finding is in line with the findings of the research conducted by Veiga (2002) and demonstrates that the satisfaction is an effective means for obtaining positive behavioural intentions. On the other hand, it has been observed that satisfaction has a strong negative impact on complaint (B = - 0.30). This finding also reinforces the notion that perceived quality and relational satisfaction are important elements in relationship marketing in the South American automotive industry.

6. CONCLUSIONS

Managerial Implications

Research findings suggest that supply managers must measure and manage supplier's relational satisfaction and perceived quality of buyers as fundamental elements to obtain positive behavioural intentions: positive mouth to mouth communication, reduced complaints and new buyer-seeking behaviour. It has also been found that opportunistic behaviour has a seminal impact on trust and commitment (indirect effect), and also a covariance (- 0.66) with perceived quality of buyers. These findings suggest that opportunistic behaviour is an important construct in buyer-supplier relationships and must be managed and measured with care.

Academic Implications

The results of this study are based on data that were particularly challenging to collect as big organizations and significant transactions were involved. The main contribution of this paper is that it proves the nature of the hypothetical relationships that can be evaluated in different regional and national contexts as well as different industries. The proposed model builds on the models of Hennig-Thurau *et al.* (2002); Arnett *et al*. (2003), and Morgan and Hunt (1994). The model presented has good nomological validity.

Suggestions for Future Research

The results of this research can be tested in the four types of buyer-supplier relationships: strategic partnership, market exchange, captive buyer, and captive supplier as defined by Bensau (1999). The different level of investment made by either party in every type of relationship may impact trust, commitment, relational satisfaction, perceived buyer quality and opportunistic behaviour.

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CONSUMERIST ATTITUDES IN SLOVENIA, CROATIA, BOSNIA AND HERZEGOVINA AND SERBIA: DISTINCTIVENESS RATHER THAN COMMONALITIES?

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Abstract: Four ex-Yugoslav countries (Slovenia, Croatia, Serbia and Bosnia and Herzegovina) were chosen as the context in which differences in consumerist attitudes were investigated. Data for analysis is derived from a representative samples of in total 7450 Slovene, Croatian, Serbian and Bosnian consumers by means of a syndicated field survey (PGM, Valicon, 2008). A comparison of factor scores between the four countries shows significant differences for social influence, ethnocentrism, value shopping, pragmatism and shopping hedonism. The results support multi-local strategies and hybrid domestic/foreign positioning rather than standardized region-centric strategies.

Key words: consumers, attitudes, marketing strategies, Slovenia, Croatia, Serbia, Bosnia and Herzegovina

STALIŠČA PORABNIKOV V SLOVENIJI, NA HRVAŠKEM, V BOSNI IN HERCEGOVINI IN V SRBIJI: RAZLIČNOSTI ALI PODOBNOSTI?

Povzetek: V štirih državah bivše Jugoslavije (Slovenija, Hrvaška, Srbija in Bosna in Hercegovina) smo analizirali stališča porabnikov v zvezi z različnimi vidiki nakupovanja in vrednotenja izdelkov široke potrošnje. Namen raziskave je ugotoviti, v kakšni meri se stališča porabnikov v izbranih državah razlikujejo, saj se zaradi številnih zgodovinskih in geo-političnih podobnosti le-te pogosto obravnavajo kot enotna regija, čeprav so v zadnjih desetletjih vse bolj očitne tudi precejšnje razlike med njimi in njihovimi trgi. V strokovni in znanstveni literaturi iz tega področja so bila doslej obravnavana posamezna vprašanja in koncepti iz tega področja (npr. etnocentrizem), medtem kot mednarodnih primerjav, ki bi sočasno obravnavala širši nabor stališč, primanjkuje. Podatki za analizo so bili zbrani na reprezentativnem vzorcu 7450 slovenskih, hrvaških, srbskih in bosanskih porabnikov s pomočjo sindicirane terenske raziskave PGM (Valicon, 2008). Porabniška stališča so bila izmerjena s pomočjo 35 postavk Likertovega tipa in analizirana s pomočjo faktorske analize, ki je razkrila pet faktorjev. Primerjava faktorskih vrednosti med izbranimi državami kaže, da

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statistično značilne razlike med državami obstajajo pri vseh petih faktorjih; medosebni vpliv na nakupovanje (faktor pojasni 16% variance stališč), etnocentrizem (10% stališčne variance), vrednosti za plačano ceno (9% stališčne variance), pragmatizem (7% stališčne variance) in nakupovanje kot užitek (6% stališčne variance). V pogledu visoke etnocentričnosti izstopajo hrvaški porabniki, najmanj etnocentrični pa so srbski porabniki. Da je nakupovanje užitek, v največji meri menijo srbski in bosanski porabniki. Bosanski porabniki se od ostalih držav ločijo tudi po večjem upoštevanju medosebnih vplivov na nakupovanje (npr. upoštevanje mnenja prijateljev) in pri poudarjanju dobljene vrednosti za plačano ceno. Pragmatičnost je najbolj izražena pri hrvaških in bosanskih porabnikih. Precej značilnih razlik med stališči je ugotovljenih tudi pri primerjavi različnih demografskih skupin (spol, starost, izobrazba, velikost družine, zakonski stan, dohodki). Številne in pomembne razlike med analiziranimi državami govorijo v prid avtorjem, ki odsvetujejo standardiziran (regio-centrični) pristop k trgom jugovzhodne Evrope in balkanske regije. Rezultati zato v večji meri podpirajo multi-lokalne strategije in hibridno (domače/tuje) pozicioniranje. V pogledu konkretnih implikacij pa je potrebno poudariti, da zaključki različnih raziskav, ki obravnavajo tovrstna stališča, niso vselej enotni, kar kaže, da gre za zelo kompleksna vprašanja tako v empiričnem (npr. BiH kot multi-etnična država), kot tudi v konceptualnem pogledu (npr. specifika naklonjenosti do domačih in zavračanja »tujih« izdelkov), ki zahtevajo nadaljnje in podrobnejše raziskovanje obravnavane problematike.

Ključne besede: porabniki, stališča, trženjska strategija, Slovenija, Hrvaška, Srbija, Bosna in Hercegovina

1. INTRODUCTION

In the present paper, four ex-Yugoslav countries (Slovenia, Croatia, Serbia and Bosnia and Herzegovina) were chosen as the context in which differences between consumers were investigated. Ex-Yugoslav countries and nations are, on the one side, characterized by many cultural and geo-political similarities, while on the other side, important differences among consumers in these countries can be found (Vida and Dmitrović, 2001, 2009). Recent historical and political developments suggest that ex-Yugoslav countries and nations are actually striving for difference and are emphasizing their distinctiveness rather than commonalities. Taking Bosnia and Herzegovina as an example, we may even posit that nowhere else in such a small area do so many cultural, national and political differences and tensions exist among consumers in one country (see, e.g. Cicic et al., 2005). In this context, the issue of the commonalities and differences among consumers seems especially interesting and relevant. Due to their common regional legacy, yet important national differences, the comparison of their consumerist attitudes and demographic characteristics were chosen as the aim of this study. When consumer attitudes are complemented with their demographic background we believe that the insight into consumer behavior is even more complete and may provide the basis for well-informed psychographic segmentation.

2. LITERATURE REVIEW

The focal concept in our study is represented by various consumerist attitudes (e.g. ethnocentrism, shopping hedonism, shopping pragmatism, social influence and value shopping). The general concept of attitudes can be defined as the enduring organization of motivational, cognitive and emotional processes. It is a learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object/issue (Hawkins et al., 1989, Schiffman and Kanuk, 2004). Various models have been used (see Schiffman and Kanuk, 2004) for the purpose of explaining how attitudes affect and predict actual behavior towards a certain object, of which the Fishbein multi-attribute model is considered to be the most influential (Salomon et al., 2002). This model measures three components of attitude, namely salient beliefs (key attributes of an object that are considered during its evaluation), object-attribute linkages (the perceived probability that the object has a key attribute) and the evaluation of the important attributes. This model emphasizes cognitive dimension of attitudes and has been widely applied in marketing, mainly with the purpose of prediction of the consumers product (or brand, etc.) related behavior.

Ajzen and Fishbein (1977) performed a meta-analysis of 142 studies on relatedness among attitudes and behaviors, which showed that attitudes are good predictors of behaviors when the specific elements of attitudes and behaviors (goals and activities in particular) match. For the purpose of the improved predictive ability of attitudes, they offered two suggestions with the first one being the pooling and generalization of behavioral observations across various situations and the second one being the inclusion of moderating variables. As a consequence, Fishbein's model was revised and improved with several moderating variables (attitude to behavior, subjective norm, perceived control, behavioral intention), which resulted in the theory of planned behavior. These developments are highly relevant for the marketing field where more attention is paid to attitudes toward specific marketing elements and factors that provide an additional insight into the relation between various components of consumer attitudes and consumption. The attitude-toward-the-ad model is, for instance, one such model that depicts relationships between various elements of an attitude to the ad and an attitude to the brand (Schifman and Kanuk, 2004). Attitudes to advertisements and brands are, however, affected by numerous additional factors and attitudes. Moon (1996), for example, suggested a model in which attitudes to foreign advertisements are explained by ethnocentricity and attitudes to foreign culture.

In this respect relationships among various and often highly specific attitudes like ethnocentrism are relatively comprehensively explored, yet their detailed theorization is beyond the scope of this paper. Instead of taking a narrow focus and analyzing relationships among isolated and highly specific attitudes, this paper takes a broader focus of analysis. It posits that knowledge about various attitudes like ethnocentrism, shopping, and social influence might provide a more complete picture about consumers in different countries, when they are investigated concurrently.

3. RESEARCH METHOD AND RESULTS

Data for analysis is derived from a representative samples of in total 7450 Slovene, Croatian, Serbian and Bosnian consumers by means of a syndicated field survey (PGM, Valicon, 2008). In addition to various brand-related perceptions, the PGM measures various demographic and psychographic characteristics of consumers, among which shopping attitudes are included.

Consumer attitudes were measured with 35 items covering attitudes to shopping, social influence, ethnocentrism, hedonic shopping, value for money and pragmatism in shopping. A factor analysis was used for data reduction and summarization as our concern was to identify the underlying dimensions. For this purpose, a common factor analysis with principal axis factoring was applied. Data was analyzed with SPSS 17.0. The factors were rotated (using Varimax rotation and Kaiser Normalization). Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.79 and acceptable. Variables that correlated highly with more than one factor are excluded from further analysis, leaving 22 variables in the analysis (see Table 1). The obtained factors can be interpreted as follows: 1. Social influence (explains 16 % of the variance); 2. Ethnocentrism (10 % of the variance); 3. Value shopping (9 % of the variance); 4. Pragmatism (7 % of the variance); and 5. Hedonism in shopping (6 % of the variance). In all, the five factors explain 49.8 % of the total "attitudinal" variance for the sample of consumers in all four countries analyzed. A separate analysis for each country reveals very stable factor solutions since the five factors are evident in all four samples and explain from 48-52 % of total variance. We need to point out that value and hedonism are negatively oriented factors, therefore high values on either of dimensions means low level of agreement with statements that compose the two factors.

4. DEMOGRAPHIC CHARACTERISTICS OF BALKAN CONSUMERS WITH REGARD TO CONSUMERIST ATTITUDES

A further comparison analysis among groups of customers according to their demographic characteristics was performed. The aim of the analysis was to learn about the correlation between the five factors for consumerist attitudes and demographic characteristics of the sample. One-was ANOVA was applied with Bonferroni and Games-Howell post-hoc multiple comparisons tests (test results have been omitted for reasons of space and can be provided by authors upon request).

The comparison according to gender of respondents showed that differences between men and women are significant (for $p < 0.01$) for

Table 1: Factor scores for consumerist attitude factors for the total sample

	1 – Social influence	2 – Ethno-centrism	3 - Value	4 – Pragma-tism in shopping	5 – Hedonism in shopping
Before purchases I sometimes like to consult my relatives.	0.452				
When I shop I rather consult than make decisions on my own.	0.555				
I trust things recommended by experts.	0.613				
For environmentally friendly products I am willing to pay more.	0.479				
Brands of products that people use tell a lot about them.	0.460				
I prefer to endorse Slovenian/Croatian/ Bosnian/Serbian products, although this costs me more in the long run.		0.730			
Slovenians/Croats/Bosnians/Serbs should by Slovenian/Croat/Bosnian/ Serbian products and services.		0.726			
I prefer products of Slovenian/Croatian/ Bosnian/Serbian producer.		0.809			
I usually buy in shops where prices are most favorable.			-0.718		
When shopping I always look to get as much as possible for my money.			-0.721		
I always check prices before I buy a product.			-0.551		
Actual price promotions strongly influence my choice of store.			-0.440		
When shopping I prefer products on promotion.			-0.502		
I do not care about interior design and look of the store.				0.634	
There are almost no differences in quality among products of more and less know brands.				0.505	
Even with much lower prices I would never buy in discount stores.				0.432	
In general, products of store brands are of inferior quality.				0.365	
Shopping is fun.					-0.807
When I go shopping, I cannot stop.					-0.556
I like shopping.					-0.783
I usually try to make purchases as fast as possible.					0.426
I like to shop for my friends and relatives.					-0.532

Notes: Extraction Method: Principal Axis Factoring, rotation Method: Oblimin with Kaiser Normalization.

all factors except for ethnocentrism. Women are significantly higher on social influence, value and hedonism in shopping while men are higher on pragmatism in shopping. For comparison according to age of respondents, three age groups were formed: 15-30, 31-45, 46-65. The differences are significant for all factors ($p < 0.01$). Older Balkan consumers are, on average, low on social influence and hedonism in shopping and highest on value, ethnocentrism and pragmatism in shopping. By the same token, the youngest group of consumers is high on social influence. The middle age group is in the middle between younger and older consumers on all dimensions except for ethnocentrism where they are closer to older than younger consumers.

According to household size, three groups were formed: 1-2, 3-4 and 5+ households. There are significant differences in factor scores means only for social influence and hedonism ($p < 0.01$) for the three groups: hedonism is lowest in small households, which is surprising, and social influence highest in large households (5+), with 3-4 member households most often somewhere in between.

According to education, three groups were formed: one with primary school or some vocational school, second with secondary school (by far largest group) and the third with a college and higher education. There are significant differences for the five factors ($p < 0.01$) for all except for ethnocentrism: social influence and hedonism is lowest for less educated, but they are highest in pragmatism and value.

According to marital status, two groups were formed: consumers living alone (single, widowed, divorced) and consumers married or living together with someone. There were significant differences for ethnocentrism, value, and hedonism ($p < 0.01$): consumers not living alone are high on ethnocentrism and value, but low on hedonism in shopping.

Finally, according to personal and household net income, there were significant differences among the surveyed groups of customers. Since the purchasing power between the four countries differs significantly, separate groups according to the income were developed for each country. The analysis reveals significant differences for all factors except for social influence. Most obvious differences are according to value: lower income (individual and household level) is connected to searching higher value when doing the shopping. Also, lower income (individual and household level) in all four countries is associated with higher pragmatism. On the contrary, hedonism in shopping differs among the four countries: for Slovenians and Croats it is lower for consumers with higher individual income, whereas for Bosnia and Serbia the differences in hedonism are not very large among consumers with different income levels. Interestingly enough, hedonism is higher for Slovenians with higher household level income compared to Slovenians with lower household level income.

5. DIFFERENCES IN CONSUMERIST ATTITUDES BETWEEN SLOVENIANS, CROATS, BOSNIANS AND SERBIANS

A comparison of factor scores between the four countries shows significant differences for all factors (see Table 2). Again, one-way ANOVA was applied with Bonferroni and Games-Howell post-hoc multiple comparisons tests (detailed test results have been omitted for reasons of space and can be provided by authors upon request). Croats exhibit the highest ethnocentrism among all, followed by Bosnians, Slovenians and Serbs, who are by far the least ethnocentric. Serbs therefore do not prefer to endorse Serbian products, do not consider that they should buy Serbian products and services only, nor they prefer products made by Serbian producers. Shopping is seen as fun mostly in Serbia and Bosnia - in both countries it is significantly higher than in Croatia and Slovenia. They like shopping and like to shop for friends and relatives. Social influence and value shopping is significantly higher for Bosnia. This means that Bosnians like to consult relatives before shopping and consider that brands of products that people use tell a lot about them. When shopping they strive to get as much as possible for their money, check prices before buying and consider price promotions when selecting a store or a product. Finally, for pragmatism, Croatia and Bosnia are highest, meaning they do not care about interior design and the look of the store, see almost no differences in quality among products of more and less know brands, however in general they consider that store brands are of inferior quality.

6. IMPLICATIONS AND CONCLUSIONS

Obtained results show that significant differences exist in consumer attitudes between four ex-Yugoslav countries. Furthermore, significant differences in attitudes were also found among various groups of customers based on their demographic characteristics like gender, age, household size, education and income. This suggest that standardized region-centric

Table 2: Mean factor scores for consumerist attitude factors for the four groups of customers

		Mean factor score
Social influence *	Slovenia	-0.0202
	Croatia	-0.0182
	Bosnia	0.0518
	Serbia	-0.0157
Ethnocentrism ***	Slovenia	-0.0548
	Croatia	0.2131
	Bosnia	0.0497
	Serbia	-0.1922
Value [a] ***	Slovenia	-0.0168
	Croatia	0.0250
	Bosnia	-0.0476
	Serbia	0.0420
Pragmatism **	Slovenia	-0.0378
	Croatia	0.1107
	Bosnia	0.0904
	Serbia	-0.1561
Hedonism [a]***	Slovenia	0.2042
	Croatia	0.0310
	Bosnia	-0.1207
	Serbia	-0.1088

Notes: [a] negatively oriented factor;
*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

marketing strategies cannot be advised for the examined region, despite the common wisdom which suggest that the Balkans is a relatively homogenous region. Our results thus concur with some authors that have warned against a region-centric approach to the Balkans and/or the broader (CEE) region (Lascu et al., 1996). Rather, this region seems to be highly fragmented, which suggests multi-local strategies and careful positioning that pays adequate attention to national differences in consumer attitudes and demographic background. However, for such implications further comparisons are warranted inside and outside former Yugoslavia in the broader CEE region, which represents a possible extension of the present study.

With regard to the national differences in consumer attitudes we can conclude that some findings are expected and consistent with previous studies, while others are surprising and warrant a careful interpretation and further examination of their implications. Vida and Dmitrovič (2001) for instance also found that Croats are the most ethnocentric consumers in the region. In Bosnia, however, consumers of Bosnian nationality are significantly more ethnocentric than Serbian and Croatian consumers (Vida et al., 2008). Interestingly, Cicic et al. (2005) found that in Bosnia consumers of Croatian and Serbian nationality consider domestic products to include those that are not made in Bosnia and Herzegovina, but in neighboring countries - depending on the nation they belong to. These findings suggest that when examined in the surrounding (neighboring, regional) context, consumer attitudes may take on different connotations and implications. Recent analysis of data from PGM database, for instance, reveals that current political situation (i.e. tensions) between Croats and Slovenians might push ethnocentrism (buy Croatian attitude) into animosity (do not buy Slovene products). The share of Croatian consumers that would “ rather not buy Slovene products” was doubled in previous six months (Batagelj et al., 2009). The findings regarding ethnocentrism however warrant further research that would provide a better insight into the complex relationships between national identity, animosity, country-of-origin perception and product/brand preference. The same study reveals that among Croatian consumers with negative attitudes toward Slovenian products, some Slovenian brands are in fact better perceived (preferred) than among consumers with more positive attitudes toward Slovenian products.

Such detailed examination of each attitude is beyond the scope of this paper, despite the fact that national comparisons indicate their potential usefulness. Bosnian and Slovenian consumers both exhibit positive attitudes toward value-for-money shopping. Still, as incomes of Slovenian and Bosnian consumers differ significantly, it remains an important yet open issue whether they hold this attitude from necessity or from some other reasons.

Another interesting finding is that Slovenian consumers differ significantly from other countries in terms of social influence factor that consists of peer influence, trust to experts, preparedness to pay more for environmentally friendly products and socially expressive function of brands. With certain caution, due to eclectic nature of this factor, we might assume that except for Slovenia, social/ecological responsibility might not be advised as positioning strategy in this region, and that the results indicate difficulties for sustainable products/brands and initiatives in other ex-Yugoslav countries.

Despite these open issues, examined concepts and variables might serve as a promising segmentation basis for defining and targeting various segments (e.g., on the basis un/favorability of certain attitudes and their demographic profile). In addition, they might also be useful for developing evaluative measures needed to examine the effectiveness of positioning strategies. Examined attitudes are not applicable only individually (or “per partes”, which seems the dominant approach in the study of them), but can also be successfully combined. Their combinations can be used for general segmentation frameworks where their common sub-dimensions can be effectively used for comparisons of segments if their universality is established (see e.g. Chow and Amir, 2006, who successfully applied such approach with value-based framework).

The comparison focused on the combination of several attitudes might provide more complete and nuanced insight into national differences. Let us look at pragmatism and hedonism as an example. Contrary to expectations, hedonism is not antithetical to pragmatism and countries scoring high on first do not necessarily score low on the second one. Concurrent analysis of these two variables results in an interesting 2x2 matrix (Table 3), where each county is positioned in a separate field box that indicates specific and unique national orientation regarding these attitudes. Such a matrix might provide interesting implications either with regard to the positioning of certain product or brand (e.g. emphasizing either pleasurable emotional or functional benefits), or more general marketing strategies (e.g. for retailers and store brands).

For more specific managerial implications, additional »behavioral« variables need to be examined, as the present study did not investigate relatedness of attitudes and demography with actual product/brand purchase behaviors. Findings of Ajzen and Fishbein (1977) suggest that general segmentation variables like attitudes are potentially less accurate in

Table 3: Comparing pragmatism and hedonism among countries

		Pragmatism	
		High	**Low**
Hedonism	**High**	Bosnian consumers “Pragmatic hedonists”	Serbian consumers “Sophisticated hedonists”
	Low	Croatian consumers “Pragmatic rationalists”	Slovenian consumers “Sophisticated rationalists”

predicting specific behaviors. On the other hand, the obtained results indicate that they assure richer descriptions and more universally applicable frameworks that are needed for an international and cross-domain-focused comparison of the derived segments. This suggests that the purpose and goals of segmentation or positioning analysis need to be clearly defined in advance. Namely, rich description may require an entirely different theoretical focus and research approach than the goal of an accurate prediction, discrimination and size estimation of a particular segment. In this respect, the addressed concepts and their respective analysis in our case seem to be suitable primarily for a holistic understanding and rich description of segments, thus for substantive, sense-making and inspirational purposes rather than for the prediction of specific brand-related behaviors. Still, quantitative aspects of analysis are not precluded as the available data enables an estimation of the discriminatory power of investigated variables, but also an assessment of segment size and a comparison of the average values of various “profiling” variables. Still, further research into these aspects of segmentation is needed in broader CEE context in order to provide more valid and operative implications for international marketing strategies.

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LIFESTYLES AND CONSUMPTION IN A TRANSITIONAL SOCIETY: PSYCHOGRAPHIC SEGMENTATION IN SOUTHERN HUNGARY

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Abstract: In our research, we intend to explore how lifestyle-based segmentation can be used in a Hungarian market setting.[1] We intend to establish a generally acceptable method for measuring lifestyle, and doing lifestyle-based segmentation in Hungary. Around the turn of the millennium, lifestyle research appeared in Hungary, but it was rather momentary, and no follow-up research was based on it. Yet there are certain lifestyle typologies that are continuously created and integrate into other research (e.g. TGI lifestyle research done by the Hungarian affiliate of the Kantar Media Group). The main problem with psychographic research in Hungary is the lack of general method, which leads to use whether foreign or old or narrowly accepted segments. This reduces the practical applicability of lifestyle-based segmentation in Hungary. To answer the above questions, we launched our two-step research. In the first step we gather information through in-depth interviews on everyday activities and consumption of people belonging to a lifestyle group. After the qualitative part, we launched a quantitative research. According to the factor and cluster analysis, our findings indicate that lifestyle-based segmentation is most useful when examining the consumption patterns of the middle class.

Keywords: segmentation, lifestyle, status, consumption

ŽIVLJENJSKI STIL IN PORABA V TRANZICIJSKI DRUŽBI: PSIHOGRAFSKA SEGMENTACIJA V JUŽNI MADŽARSKI

Povzetek: V članku avtorji raziskujejo, v kolikšni meri je mogoče segmentacijo, ki temelji na življenjskem stilu, uporabiti v primeru madžarskega trga. Želeli so najti odgovor na vprašanje, kakšno razlagalno moč imajo tipologije življenjskega stila v primerjavi z analiziranjem vzorcev potrošnje na tradicionalnih družbeno-demografskih in statusnih značilnostih.

V razvitih severnoameriških in zahodnoevropskih družbah izvajajo raziskave življenjskega stila že več desetletij, pri čemer redkeje uporabljajo pristope, ki so osredotočeni na družbeni status. Ob prelomu tisočletja so se raziskave življenjskega stila pojavile tudi na

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Madžarskem. Z družbenega stališča se Madžarska razlikuje od zgoraj omenjenih držav, saj je delež revnih ljudi veliko večji, srednji sloj je majhen ter nič kaj raznolik, življenjski standard pa je veliko nižji od srednjega sloja v zahodnoevropskih državah. V primerjavi z zahodnoevropskimi državami je raven razpoložljivih denarnih sredstev veliko nižja. V takih razmerah se madžarske raziskave življenjskega stila niso pojavile zaradi potrebe po tem, da bi razložili domače trende porabe, temveč zaradi tujega vpliva. V segmentacijskih raziskavah na Madžarskem so predvsem raziskovali razmerje med družbenim statusom in življenjskim stilom. Ob tem se postavlja vprašanje, kakšno razlagalno moč in uporabno vrednost imajo tipologije življenjskega stila na podlagi tradicionalnih družbenih in demografskih značilnosti na Madžarskem. V članku avtorji raziskujejo, do kakšne mere in kako je mogoče segmentacijo, ki temelji na življenjskem stilu, uporabiti v primeru Madžarske.

Da bi našli odgovor na zgornje vprašanje, so se odločili za raziskavo v dveh korakih. V prvem koraku so zbirali informacije s pomočjo globinskih intervjujev o vsakodnevnih aktivnostih in porabi ljudi, ki pripadajo skupini z določenim življenjskim stilom. V drugem koraku so opravili kvantitativno raziskavo (s kontrolno skupino, ki so jo predstavljali posamezniki, ki prebivajo v glavnem mestu), da bi preverili ugotovitve iz kvalitativnega dela raziskave. Rezultati kvalitativnih raziskav namreč kažejo, da v madžarskem gospodarstvu rast cen in razpoložljiva denarna sredstva prebivalcev predstavljajo tiste dejavnike, ki omejujejo srednji in višji srednji družbeni sloj pri njihovih odločitvah o izdelkih in storitvah ter blagovnih znamkah. Ta dejavnik ter dejstvo, da je razvrščanje po tipologiji življenjskega stila pripeljalo do izredno homogenih rezultatov, kaže na to, da bi bilo potrebno opraviti nadaljnje raziskave. Raziskava je bila izvedena na vzorcu posameznikov iz južne Madžarske, starih med 18 in 75 let. Skupaj se je na anketo odzvalo 2.690 ljudi. Vprašalnik je bil sestavljen iz treh sklopov. V prvem sklopu so avtorji raziskovali odnos do dela in način, na katerega izrabljajo svoj prosti čas; v drugem sklopu so ugotavljali njihove porabniške navade, v tretjem sklopu pa njihov odnos do blagovnih znamk. V prvem koraku analize podatkov so avtorji s faktorsko analizo zmanjšati število spremenljivk, v drugem koraku pa so s pomočjo klastrske analize prišli do osmih segmentov.

Osem segmentov, ki se v določenih razsežnostih občasno prekrivajo, se med seboj jasno razlikuje in kaže sprejemljivo stopnjo notranje homogenosti. V določenih skupinah se je izkazal status za prevladujoči dejavnik pri določanju porabe. To je še posebej vidno pri nižjih slojih, katerim omejeni prihodki omejujejo porabo. V takšnih primerih je vpliv življenjskega stila izredno omejen. Vpliv življenjskega stila je posebej pomemben, ko analiziramo potrošnjo srednjega sloja. Ugotovitve raziskave kažejo, da status kot osnova za segmentacijo pripelje do nejasnega zaključka o porabi, medtem ko ima življenjski stil kot osnova za segmentacijo veliko razlagalno moč. Pri tem je potrebno opozoriti na to, da je srednji sloj, ki je v razvitih državah običajno prevladujoč– na Madžarskem izredno majhen ter, glede na sedanje trende, postaja vse manjši.

Ključne besede: segmentacija, življenjski stil, status, poraba

1. INTRODUCTION

Market segmentation has two general forms. One classifies consumers based on demographics, social class and psychology, whereas the other focuses on the product as well as the value and utility delivered by the product. The advantage of product-based segmentation is that it can better adapt to the characteristics of a particular product or a situation, but its application is limited by the need to segment differently by product categories. In contrast, people-based segmentation is more general, as it concentrates on the consumer as a complex entity who can be investigated while buying various products (Plummer 1974; Greenberg-Schwartz 1989, Bean-Ennis 1987).

In developed North-American and West European societies, lifestyle research has been carried out for several decades, pushing conventional approaches focusing on social status into the background. Around the turn of the millennium, lifestyle research appeared in Hungary as well. Part of it was rather momentary, and no follow-up research was based on it. Yet there are certain lifestyle typologies that are continuously created and integrated into other research (e.g. TGI lifestyle research done by the Hungarian affiliate of the Kantar Media Group).

Lifestyle research in Hungary has been conducted relying on a great number of attitudes, product categories and brands. In spite of this, value orientation and consumption concept of certain lifestyle groups is not subtle enough. The transitions between the individual lifestyle groups are not known, nor do we know in which areas of consumption the differences between lifestyle groups are the most or the least (or not at all) conspicuous. In our research, we intend to explore how much a special type of segmentation – lifestyle-based segmentation – can be used in a Hungarian market setting.[2]

2. THEORETICAL BACKGROUND

Traditionally, marketing classifies individuals by demographic criteria. This technique can be easily quantified, but tells little about the factors or the motivation behind the consumption of group members. Its predictive capabilities can be improved by including groups-specific sociological and psychological factors in our investigations (Plummer 1974; Wells 1975; Veal 1993; Ritzer 1996; Corrigan 1997; Vyncke 2002). Research carried out in the USA and Western Europe place most emphasis on the significance of the involvement of psychological factors (Ziff 1971; Fenwick et al. 1983; Edris-Meidan 1989; Fullerton-Dodge 1993; Morgan-Levy 2002).

The notion of lifestyle in marketing was introduced by William Lazer (1963). Our research adopted the definition by Veal (1993, pp. 247). This defines lifestyle as 'a distinctive pattern of personal and social behavior characteristics of an individual or a group'.[3] In practice, it refers to how 'the people live and spend their time and money' (Kaynak and Kara 2001). Lifestyle-based segmentation is also called psychographics (Demby 1974). It emphasises the importance of psychographic criteria as opposed to and besides purely demographic criteria in forming consumer groups (Ziff 1971; Wells 1975; Beane – Ennis 1987). Buying habits of individuals belonging to the same demographic or socio-economic category may differ. To explore these differences in more depth, it is worth investigating the people's lifestyles. In addition, it might also be adequate to perform a psychographic analysis in such cases where among the segments set up based on demographic criteria, relevant differences in consumption were found, because it can help to explore the reasons for such differences and to understand the group much better (Edris-Meidan 1989; Fullerton-Dodge 1993; Vyncke 2002). The more I understand the target group, the more effectively I can communicate with it and the more I can adapt positioning to their needs (Plummer 1974; Hornik 1989; Chiagouris 1991).

Psychographic analysis can be classified into two types, depending on how complex the analysis of consumer lifestyles is. "One dimensional" analysis looks at only specific key areas of a consumer's lifestyle. In general, focus is on lifestyle elements of particular products. The other type is "multidimensional" which seeks to explore complexly defined general lifestyles that can have an explanatory force in other areas of consumption. The former has the definite advantage, because it adapts better to the analysis of a product than a general lifestyle (Ziff 1971; Plummer 1974; Wells 1975; Van Auken 1978). But since our research is exploratory and wishes to analyse broad lifestyle groups, we decided not to investigate one-dimensional typologies.

[2] This research is supported by the National Scientific Research Fund (OTKA K 67803).

[3] For further definitions see: Lazer 1963; Horley 1992; Chaney 1996.

2.1. PSYCHOGRAPHIC MEASUREMENT

Measuring lifestyle was always a great challenge. One of the earliest forms of lifestyle measurements is AIO rating, which looks at how the people examined spend their time (activities), what they place importance on in their immediate surroundings (interests), how they view themselves and the world around them (opinions). Then, some basic characteristics are added, such as stage in life cycle income, and where they live (Plummer 1974). These were later completed and replaced by methods that took values into consideration (Rokeach 1973; Schwartz and Bilsky 1990). Values are 'desirable, trans-situational goals, varying in importance, that serve as guiding principles in people's lives' (Vyncke 2002, pp.448). Some of the best known value based methods are VALS (Reece 1989; Shih 1986), and Kahle's (1983) LOV (List of Values). Novak and MacEvoy (1990) found that if demographic variables are added to the LOV method, it proves to be a better choice. This calls our attention to the fact that although methods containing psychological elements give a deeper insight into segments, this does not mean that we could forget about the efficiency of demographic criteria in a thorough research. Speaking of lifestyle-based segmentation methods, we need to mention the Sinus Milieu model[4], which is primarily employed in Germany and Austria.

The practical application of lifestyle-based segmentation is especially suitable in marketing communication, the market of leisure activities, in Internet advertising, apparel marketing and banking, but also in the non-profit sector – e.g. for museums. Knowing the lifestyle of the target group can assist marketing communication to approach consumers with appropriate messages through the channel that suits the segment the best (Edris-Meidan 1989; Vyncke 2002). In the leisure activities market (Green et al. 2006), just as in banking (Peltier et al. 2002), apparel marketing (Richards-Sturman 1977) or museum marketing (Todd-Lawson, 2001), it is important to know the lifestyle of our target market, so that we can offer them suitable recreational or cultural activities. Investigating e-commerce, Yang (2004) found that attitudes to online purchases – which a consumer's lifestyle may refer to – crucially influence the efficiency of marketing communication on the Internet.

[4] Sinus Sociovision GmbH (2002)

2.2. LIFESTYLE SEGMENTATION IN HUNGARY – PREVIOUS RESEARCH

Speaking of applicability of lifestyle research in Hungary, we briefly need to mention to what extent domestic conditions affect the applicability of the method. From a social viewpoint, Hungary differs from the above-mentioned more developed countries, since the rate of poor people is higher, the middle class is small, less differentiated, and its standard of living is far behind that of the Western middle class. Compared to Western countries, the level of discretionary income is much lower. We have good reason to assume that these peculiarities of a transition economy depend on the recent crisis. Consequently, experience from previous research (Hankiss-Manchin 1976; Utasi 1984; Fábián et al. 1998; Hankiss 1999; Hankiss 2005; Németh, Veres and Kuba 2007) suggests that in many segments, price fundamentally influences consumer decisions, therefore the determining power of their means may distort or even suppress the effect of lifestyle characteristics on consumption. Under such circumstances, Hungarian lifestyle research did not primarily appear as a result of the need to explain domestic consumption trends, but due to international influence. Principally, research explored the relationship between social status and lifestyle. This alone raises the question what explanatory force lifestyle typologies have and whether it is indeed outdated to analyse consumption patterns based on traditional socio-demographic characteristics in Hungary. Our research aims to investigate with a scientifically valid method to what extent and how lifestyle-based segmentation can be applied in this market.

3. RESEARCH METHOD

Considering the above antecedents and circumstances, we have set the following research objectives:
- revealing lifestyle segments;
- investigate the transitions between lifestyle groups;
- unfold the consumption-specific value orientation of lifestyle groups;
- examine the connection between the social status, lifestyle and consumption;
- investigate the role of brands in particular lifestyle groups – how much the social status of the groups relate to brand usage.

Basically, we wish to find the answer to the question what explanatory force lifestyle typologies have and whether it is indeed outdated to analyse consumption patterns based on traditional socio-demographic and status characteristics in Hungary.

To answer the above questions, we launched our two-step research. Kamakura and Wedel noted the problem of lengthy questionnaires, typical of lifestyle research. They suggest using the method of tailored interviewing as a solution (Kamakura-Wedel 1995). Therefore, in the first step, we gathered information through in-depth interviews on everyday activities and consumption of people belonging to a lifestyle group.

In the second step, using the findings of the qualitative phase, we conducted regionally representative research to identify the quantitative ratios of the correlations discovered.

3.1. QUALITATIVE RESEARCH

Our in-depth interviews focused on five main areas: product and brand usage of consumer goods; cultural and leisure time activities; use of various services; use of higher education as a service; financial services and investment activities. Ten in-depth interviews were made in each of these groups.

The key question of the qualitative phase was to define and recruit the research target group. We devised a recruitment questionnaire which – based on education or product and brand usage – screened out poor people with very low incomes. In recruitment questionnaires, four questions in each group explored product and brand use as well as financial position.

The general structure of in-depth interviews was reorganized to take special features of the examined topic into consideration, thus we obtained slightly different interview guidelines for each topic. The structure of in-depth interviews was the following:

1. Principles of way of life, personality
Here, the subject talked about the goals they follow and the principles they adhere to in life.

2. The relationship between personality and the examined area (for example, higher education)
The opinion on how they judge the importance of supply elements of a given area. Supply had to be split into two groups. The first one included the elements which are naturally part of our everyday life, whereas the second included the ones that may give special pleasure and the feeling of success to the consumer. Finally, we asked them what difference they perceive between the joy from consuming products and the joy from making use of services.

3. Relationship between lifestyle characteristics and the examined area
Supply elements of the examined area that are extremely important in the subject's life. For products or services deemed important by the subject, to investigate the role of environment in affecting decision-making and the dimensions of perceived risk and brand loyalty.

4. Description of a subject's own consumption for a given area

The subject had to tell about each (in all about 20) supply element of a given area, how much a product or service plays an important part in his or her life. Then they had to classify themselves into one of the five consumer lifestyle segments explored by TGI Hungary's previous research. Finally, the subject positioned their family on a four step scale based on their financial situation.

All the respondents in the in-depth interviews have a gainful occupation; the data on their age and education are illustrated in Table 1 below.

Personality and consumption. The majority of the interviewees said that it is mainly personality and

Table 1: Qualitative study sample

	Secondary level education	College or university degree
Women aged 26-35	6 people	4 people
Women aged 36-50	10 people	7 people
Men aged 26-35	5 people	8 people
Men aged 36-50	5 people	5 people

Source: Own construct

individual preferences that determine what criteria they consider when deciding on the importance of a product or service. Almost all the interviews explicitly showed that all these are greatly limited by discretionary income: they have to think through what they really need, and once they have purchased these and if they still have some remaining money to spend, they may begin to think what special things they long for. Then "*... they choose from what they can afford*". There is a wide array of special products and services that give the feeling of success: buying perfume, good food, trips (not necessarily abroad), hairdressing, consumer electronics, or a car. The responses include such, which state that a purchase gives the feeling of success when *"I manage to buy a curtain at a rock-bottom price, or reupholster two armchairs that others would have already thrown away"* – or among leisure time activities the special ones are those that require some extra preparation – theatre or camping. As for investment products, there was a respondent who categorized share purchase as special. Even though our recruitment questionnaire filtered out people with a limited income, "average" consumers also find their disposable income definitely limited.

Principles of way of life and personality. Apart from a home and a car, none of the respondents mentioned concrete material goods among their main goals. The most important lifestyle principles (and factors determining the quality of life) included founding a family or security for the family, success in job (regardless of age), health, material security ("*they do not always have to think of when the next salary arrives*"). Money "*should be an instrument, not a purpose*".

Relationship between lifestyle characteristics and the examined area. As for consumer goods, the overwhelming majority of our respondents said that the opinion of the environment have almost no impact on their choice, and they exclusively rely on their needs and taste (*"I don't care what other buy"* – which is greatly in contrast with the behaviour that, in our opinion, is most characteristic of a great part of society: *"that's the way we are... many people are like this: if others have it, I should have it as well."* Almost everybody thinks that "snobbery" and "showing off" is only a characteristics of others. For making use of cultural and financial services or spending free time, it is admittedly more important what others think. The feeling of community with those who chose the same provider or product is not typical. As for brand loyalty, satisfaction is most important with the majority of respondents – satisfaction, positive experience might be enough for loyal consumers to hold on to a brand. Price, however, plays a decisive role as well: *"when I switch a brand, price predominates definitely."* When satisfaction reduces, the perceived risk of switching is not an important deterring factor either from the point of view of products, or service providers.

Description of subject's own consumption for a given area. There is a great variety of products/ services where brands are important to the respondents – dairy products, household and chemical goods, hygiene products, perfumery, electronic goods, mobile phones, cars – currently no category can be highlighted. Interestingly enough, the majority of our respondents chose the same segment when asked to classify themselves into one of five lifestyle segments. The major characteristics of their lifestyles include that they are quality- but not brand- or fashion-oriented, family- and relationship-oriented; demanding of themselves and their surroundings; work is important to them; they love challenges but avoid risky situations; they are deliberate; have good money sense and reject traditional discrimination of male and female roles. This typical choice greatly supports what we said during the interviews, but also makes it difficult to explore the explanatory role of lifestyle groups.

3.2. QUANTITATIVE RESEARCH

Based on the findings of the qualitative phase, we conducted quantitative research in the second step – using a sample from Southern Hungary. Our quantitative research aimed to identify to what extent segmentation with lifestyle characteristics is more effective than conventional consumer segmentation based on socio-demographic factors.

In the questionnaire survey, the sample was selected from Southern Hungary, aged between 18-75. The sample was selected from a mailing list using a systematic method. All in all, 2,690 people responded, of which 58 percent were women and 42 percent men. Respondents were asked to answer questions in three blocks using a Likert scale. The first block explored their attitude to work and the way they usually spent their leisure time; the second block identified their consumption habits, and the third one their attitude to brands. In the first step, we aimed to reduce the number of variables through factor analysis. In the second step, we distinguished eight segments with cluster analysis by involving all the variables and factors.

We conducted a factor analysis for each of the three blocks mentioned above (see Table 2). The factors were chosen according to the eigenvalues (it should be above 1.0 for each factors) and to the total variance explained (it should be above 60%). As for work- and leisure time related variables, we could distinguish two factors that jointly explained 63.24 percent of the variance. The first factor (F1) includes variables for going out to a restaurant, travels abroad and holidays in exotic places – all these indicate a high standard of living, or, as it were, a "noble" lifestyle. Thus we may call this factor "upper middle class life". The second factor (F2) examined listening to classical music, going to the theatre and an interest in arts, so we termed it "cultural interest".

Within the questions regarding buying and consumption patterns, we distinguished five factors that explain 62.8 percent of the variance. The first factor (F3) correlates negatively with hunting for low and special prices or bargains and with careful economizing on the money devoted to shopping. Therefore, it may be called "aspiration for economic effectiveness". (Note that high value in this case means regardness of price.) Unlike the previous one, the second factor (F4) implies a joyful buying experience and is characterized by impulsiveness and emotionality, rather than careful purchases. For this reason, we named this factor "impulsive purchases". The third factor (F5) correlates with variables of branded product purchases, so we called it "brand purchase". The fourth factor (F6) is "advice on purchase", which means asking for and receiving advice before a purchase. The fifth factor correlates only with a single variable, thus handling this as a separate factor will not facilitate interpretation.

Within the brand choice block, we were able to explain 64% of the variance using three factors. The first factor (F7) shows a relationship between the brand and the consumer's personality, thus we called it "brand symbolism". The second factor (F8) correlates with the statements according to which the quality of branded products is better than average. This is the so-called "brand quality" factor. The third one (F9) is "keeping up with fashion" involving the purchase of toiletries and the influence of fashion.

After the factor analysis, we divided the sample into segments using cluster analysis (for details see Table 3). When determining the number of segments, one important aspect was for them to be inwardly homogeneous – accordingly, several smaller but more unified groups should be created instead of some large "cover" segments. Also, we were trying to create a manageable

Table 2: Factors

Work- and leisure time related variables
F1: "upper middle class life" (going out to a restaurant, travels abroad and holidays in exotic places)
F2: "Cultural interest" (Classical music, theatre, arts)
Explained percent of the variance: 63.24
Consumption patterns
F3: "aspiration for economic effectiveness" (low prices, bargains)
F4: "Impulsive purchases" (joyful buying, impulsiveness)
F5: "Brand purchases" (branded products, famous brands)
F6: " Advice on purchases" (asking and receiving advises)
Explained percent of the variance: 62.8
Attitude to brands
F7: "Brand symbolism" (brand shows personality)
F8: "Brand quality" (brand means quality)
F9: "Keeping up with fashion" (toiletries, fashion brands)
Explained percent of variance: 64.0

Source: Own construct

Table 3: Factors and clusters

Ward Mth.	Fac. 1	Fac. 2	Fat. 3	Fac. 4	Fac. 5	Fac. 6	Fac. 7	Fat. 8	Fac. 9
Segment 1	1,68	3,12	1,57	2,36	2,04	2,32	2,33	2,34	3,18
Segment 2	2,19	3,26	2,23	2,86	2,72	2,78	2,96	3,72	3,50
Segment 3	2,61	3,23	1,95	3,04	2,33	2,90	2,66	2,15	3,09
Segment 4	2,05	3,17	1,62	3,46	2,32	2,70	2,62	2,09	2,56
Segment 5	3,40	3,49	3,18	2,86	3,28	3,54	2,78	4,09	3,26
Segment 6	3,00	3,25	2,34	2,93	2,71	3,14	3,34	3,23	2,87
Segment 7	3,49	3,67	2,10	3,22	2,48	3,91	3,29	2,61	3,19
Segment 8	1,48	2,58	1,29	3,62	1,90	1,67	2,40	1,40	2,15
Mean	**2,54**	**3,26**	**2,10**	**3,02**	**2,54**	**2,95**	**2,87**	**2,86**	**3,03**

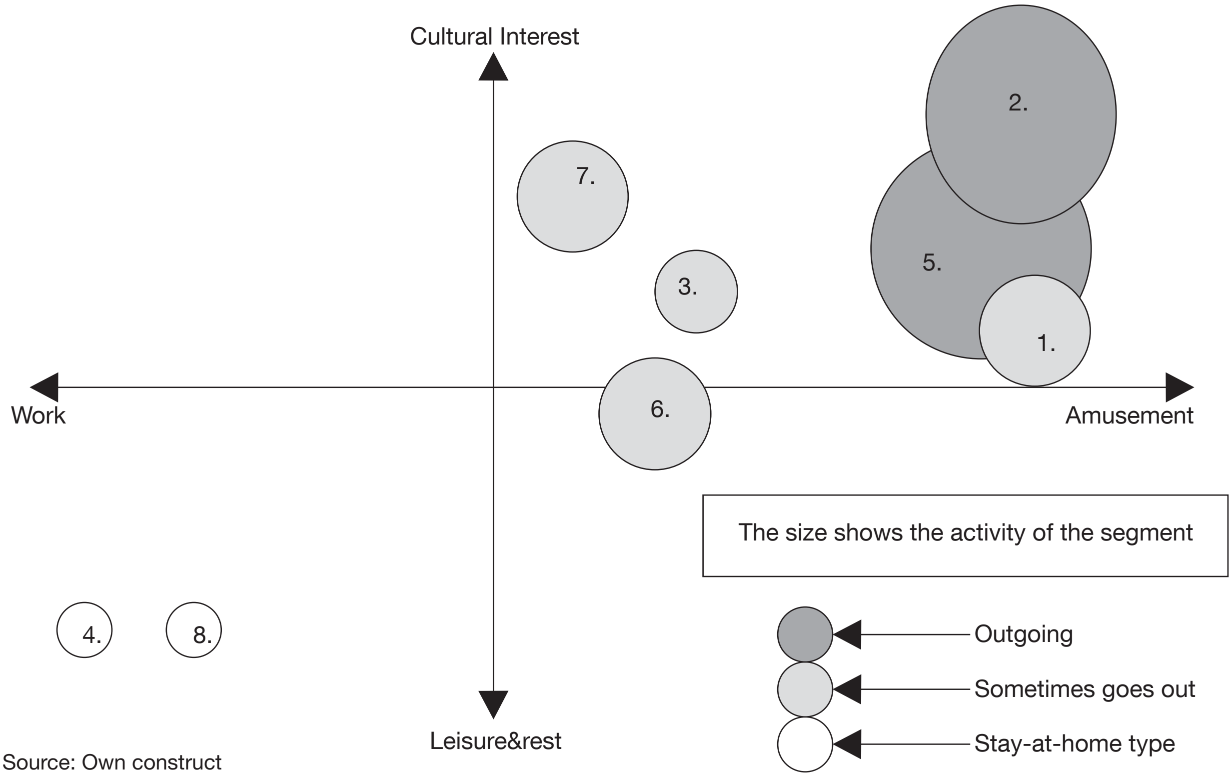
Source: Own construct

number of markedly different clusters. According to the significance test, the differences between these clusters were significant.

Taking the above into consideration, we distinguished eight segments which can be characterized as follows (Maps were used to illustrate the differences between the characteristics of segments. Figure 1 shows one example):

Segment 1: Those seeking inner harmony (8,4%)
They reject materialistic values. They do not work for money; they are not motivated by financial means and their lives are not driven by consumption. They find leisure time more important and focus on inner values. The consumption pattern of this segment is very difficult to interpret in terms of socio-demographic characteristics. The group's value orientation is shown by lifestyle variables

Figure 1: Lifestyle characteristics of segments



Source: Own construct

(emphasizing inner values) which can explain why they attach little importance to consumption, brands and their symbolic content.

Segment 2: Quality-oriented intellectuals (19,2%)
This is a quality-oriented intellectual group that endeavours to do well and decide well in most areas of life. They search for the best solution and high quality in their purchases. When doing so, they rely on their own value judgments and do not unconditionally accept the quality suggested by the brand itself. Owing to the high status of this segment, they are not forced to consider price as a primary factor; they can afford to choose a product based on their high expectations. But lifestyle characteristics are indispensable to see the general quality orientation of this segment which can be witnessed in all possible areas.

Segment 3: Those relying on their own values (13,3%)
This segment seeks to manage its – in many respects limited – means as good as possible. They wish to fulfil themselves and follow their own values both in terms of their lifestyle and consumption patterns. They tend to stick to what works best for them and are not very open to new possibilities. The lower status of this segment explains their lower level of consumption, since they try to economize in all areas of life. Based on their lifestyle characteristics, this segment seems to be slightly closed and ethnocentric.

Segment 4: Lower status workers (14,9%)
This segment includes workers struggling for a living whose energies are almost entirely taken up by trying to maintain a not too high standard of living. Their needs have adapted to their means; they decide based on the price and are not really quality-conscious or functionally-minded. Most of all, their consumption can be interpreted based on their low status.

Segment 5: Hedonistic youngsters (10,4%)
This is a group of active and open youngsters who enjoy life and try to make the most of it. They look upon their lives as a sort of adventure. They have taken advantage of their opportunities and reached a very high status that allows them to enjoy high quality consumption. They are interested in all areas of life; they are open to new things; they follow fashion and choose brands based on not only functional but also symbolic factors. They look for products that best suit their personality, thus realizing the uniqueness and creativity, which is so much characteristic of them, through their consumption.

Segment 6: Categorizers (17,8%)
This is a group of consumers with a relatively high status who want to lead a quality life according to separate categories. This means that they work hard so that they could afford this high quality of life, while making sure that they can devote a sufficient amount of quality time to another category of life, entertainment and leisure time. In the same way, they clearly separate shopping for food, which they find less important and boring, from purchasing articles that they consider more interesting – as these are mostly men, this category presumably comprises electronic goods. With the former, they do not care about the brand, whereas with the latter they find good quality products and well-known brands important and are happy to ask for advice before such purchases.

Segment 7: Those driven by outer values (10,4%)
This is a low status segment that wishes to emphasise the contrary in its consumption patterns. They are highly brand-oriented and prefer brands with a high prestige that can positively affect their otherwise not too high status. They make their decisions based on other people's opinions and well-known brands provide them security both in terms of quality (being an important dimension of their lives) and through recognition from others. At the first glance, the consumption and socio-demographic characterization of this segment seem wholly incompatible. Not even lifestyle characteristics can help this very much. But carrying this contradiction further, their ostentatious consumption, being the most important feature of this segment, becomes clear. In this way it is their status that explains their consumption pattern.

Segment 8: The seniors fallen behind (5,6%)
This is an elderly impoverished stratum living on the edge of the poverty line. They regard consumption purely as a means of subsistence. It is for them a constant battle for lower prices. They are closed and reject new things in both their lifestyle and their consumption. The consumption of this segment is clearly limited by its low status. Lifestyle characteristics add to this picture by shedding a light on the aversion of this segment to new things which can also be witnessed in their consumption.

4. CONCLUSION

The results of our qualitative research point to the assumption that in an emerging economy, prices and discretionary income are very often a limitation for average or slightly above-average layers of society in choosing from products and services or brands. This factor and the fact that classification into lifestyle typology yielded a remarkably homogeneous result, indicate that further exploratory research can contribute to a deeper understanding of the phenomena.

The analysis of the quantitative data leads us to the conclusion that the eight clusters, even though they overlap in certain dimensions, clearly separate from one another and show an acceptable degree of inner homogeneity. However, it is important to note that these clusters can only be used for multidimensional interpretation, since it is through examining the whole that we can identify how a cluster differs from those that are near within a dimension. There is an interdependent relationship between status, consumption and lifestyle. We can obtain well-founded results, when the three areas are jointly interpreted.

In certain segments, status has proved to be a dominant factor determining consumption. This is especially true for lower status where the income limit largely determines consumption. In these cases, the influence of lifestyle is rather restricted. The influencing role of lifestyle has proved to be especially important when analysing the consumption of the middle class. This is in line with the international experiences on the possibilities of using lifestyle-based consumption in segmentation. In these cases, status lets us draw a rather vague conclusion on consumption, while lifestyle has a good explanatory force. We must note that the middle class, being typically broad in developed countries and which has called this kind of segmentation into life, is rather narrow in our country and, based on current trends, continuously shrinking. It poses the question again which is our investigations main dilemma.

5. LIMITATIONS AND FURTHER RESEARCH

When using lifestyle-based segmentation techniques, several limitations have to be considered. By employing the method, we wish to obtain segments which are not only distinct, but also homogeneous. These conditions cannot always be met by the psychographic method whose limitations have been explored by many authors (Wells 1975; Edris-Meidan 1989). Among the limitations of the method, Fenwick (1983) et al. note that there are no standardized methods for developing psychographic items, thus it is difficult to link different research, and the validation of the established lifestyle segments is problematic as well.

Our research has not come to an end yet. Relying on in-depth analyses – including focus group discussions and further quantitative research – we wish to give a more precise answer to the fundamental question whether lifestyle-based segmentation can be applied at all in our country, and if yes, within what constraints. Or, as a result of the powerful limitations of discretionary income, is it more efficient to choose status as a criterion of segmentation?

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THE IMPACT OF THE CURRENT ECONOMIC CRISIS ON STRATEGIES OF MULTINATIONAL CORPORATIONS IN CENTRAL AND EASTERN EUROPE

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Abstract: The purpose of the paper is to contribute to the discussion of the effects of the current crisis on multinational corporations operating in Central and Eastern Europe. The crisis suddenly stopped the successful economic catch-up process of the CEE countries in the last years. The question arises if this major structural break will lead to a reassessment of the expansion strategies of foreign multinational corporations into CEE. Although being in the mid of the crisis and having no full information about the size of its devastating effects on economies and businesses, the author argues that the business model which guided the expansion into CEE will remain valid after the crisis. The huge market potential and the favorable cost and resource situation of CEE will not disappear. The big difference is the higher sensitivity towards country risk that will lead to a more differentiated view of CEE. The management will pay more attention to the country's competitiveness, the quality of its institutions and its political leadership. The shift of manufacturing and logistics capacity from Western Europe to CEE will continue as the crisis advances the division of work in Europe. The accelerated consolidation process changes industry constellations. Cash rich companies with competitive business models emerge as relative winners of the crisis. The downward pressure on prices favors companies with "value-for-money" business models as well as strong local producers, private labels, discounters and "money-saving" formats such as "do-it-yourself"-stores. This paper generates a scenario on the future role of CEE for multinational corporations operating in the region and their strategic options.

Key-words: Central and Eastern Europe; economic crisis; multinational corporation; strategy.

VPLIV SEDANJE EKONOMSKE KRIZE NA STRATEGIJE MULTINACIONALK V SREDNJI IN VZHODNI EVROPI

Povzetek: Namen tega članka je pripevati k razpravi o učinkih sedanje finančne in ekonomske krize na multinacionalke (MNC), ki poslujejo v srednji in vzhodni Evropi (SVE). V članku je opisan scenarij, ki opisuje vlogo držav srednje in vzhodne Evrope na poslovanje multinacionalk, ki poslujejo v regiji in o njihovih strateških možnostih v prihodnosti. Sedanje ekonomsko nazadovanje je zmanjšalo možnosti za

uspešno dohajanje na gospodarskem področju srednje in vzhodnoevropskih držav, ki je bilo značilno za zadnjih nekaj let. Postavlja se vprašanje, če bo ta pomembni strukturni prelom pripeljal do ponovne presoje širitvenih strategij tujih multinacionalk v srednjo in vzhodno Evropo. Čeprav smo šele na sredini krize in ne razpolagamo s popolnimi informacijami o tem, kakšne razsežnosti bo imela kriza na ekonomijo in podjetja, avtor tega članka meni, da bo poslovni model, ki je vodil širitev v srednje in vzhodnoevropske države obstal tudi po krizi. Velikanski tržni potencial in ugodna stroškovna situacija ter razpoložljivi viri v srednji in vzhodni Evropi ne bodo izginili. Edina razlika, ki se danes pojavlja, je večja občutljivost za stopnjo deželnih tveganj. Zahodne multinacionalke, ki so vstopile na področje tranzicijskih ekonomij pričakujejo večja tveganja in so previdnejša, kot na domačih trgih, ko izbirajo ciljne trge in načine vstopa nanje, ko načrtujejo investicije in kadar tržijo svoje izdelke. V primeru SVE so se najbrž preveč zanašale na zmanjšanje tveganja, ki je posledica vpliva “EU dežnika”, torej pojmovanja, da se bodo SVE države hitro prilagodile političnim, pravnim in mikroekonomskim načelom in smernicam, ki jih je postavila EU ter da bo državam članicam EU v primeru finančnih viharjev pomagala EU. To je pripeljalo do napačne predstave med tujimi investitorji, ki so menili, da so poslovna tveganja v novih članicah in državah pristopnicah manjša kot so v tipičnih tranzicijskih ekonomijah. Ta kriza je odpravila pojmovanje, po katerem je SVE homogeni blok, saj lahko opazimo, da finančni trgi in investitorji različno obravnavajo posamezne države. Management multinacionalk je bolj pozoren na dejavnike, ki določajo dolgoročno ekonomsko privlačnost posamezne države, na primer, konkurenčnost države, kakovost njenih institucij in politično vodstvo države. Seveda pa ugodni stroškovni položaj in razpoložljivi viri povečujejo vlogo SVE kot proizvodnega okolja. Prenos proizvodnje in logističnih zmogljivosti iz zahodne Evrope v SVE se bosta nadaljevala tudi v času, ko bo kriza še naprej spodbujala delitev dela v Evropi. Poleg tega bo pospešen proces konsolidacije spremenil gospodarsko sliko. V času, ko kriza razkriva prednosti in slabosti podjetij, skušajo multinacionalke optimizirati svoj portfelj aktivnosti na obstoječih trgih. Podjetja, ki niso trdno usidrana na posameznih trgih in ki so pod finančnim pritiskom, bodo svojo prisotnost na mednarodnem trgu ponovno ocenila in zapustila obrobne trge. ABInBev, ena največjih pivovarniških skupin na svetu, na primer, je junija objavila prodajo 11 pivovarn v SVE. Bogata podjetja s konkurenčnimi poslovnimi modeli se skozi krizo prebijejo kot zmagovalci. Ohranjanje denarnih sredstev in zasledovanje konservativnega finančnega modela sta izredno pomembna za preživetje v času krize. Poslovni model, ki je naravnan na pozicioniranje “vrednost za denar” bolj pomaga pri premagovanju krize, kot specializiranost v ogroženi tržni niši ali v primeru podjetja z nejasnim konceptom vrednosti. Splošni negativni pritisk na cene in zmanjšanje vrednosti lokalnih valut v primerjavi z evrom je v prid močnim lokalnim proizvajalcem, trgovinskim blagovnim znamkam, diskontnim trgovinam in prodajalnam vrste “prihrani čas in denar”, kot so na primer trgovine “naredi sam” ali moderne samopostrežne prodajalne zdravil. Kriza predstavlja konec trenda, ki stremi k večji decentralizaciji poslovnih skupin, ki poslujejo v SVE. Sedaj se je nihalo ponovno obrnilo k centralizaciji. Sedeži podjetij želijo imeti večji nadzor nad investicijami, stroški, likvidnostjo in glavnimi računi. Ni prav jasno, kako bo ta trend kratkega in direktnega poročanja obrnil napredovanje povezanih organizacij s specializiranimi vlogami in odgovornostmi – razvoj, ki ga je mogoče opaziti v zadnjem času med regionalnimi igralci na trgu.

Ključne besede: srednja in vzhodna Evropa; ekonomska kriza; multinacionalka; strategija.

1. INTRODUCTION

The current economic crisis is the worst economic downturn the world economy has experienced for decades. The economies in Central and Eastern Europe (CEE) have been severely hit by the collapse of export markets, the drop in direct foreign investments, the credit squeeze, and depreciating local currencies. This raises the question how the economic development of the countries and markets in CEE will be affected and how foreign multinational firms will respond to the crisis. Although we are still in the middle of the crisis and statements on its further development are speculative, the management of multinational companies (MNC) is called upon to reassess investments and strategies in the countries of the region. Those companies have been major drivers of economic development in the last 20 years and the future economic outlook of the economic revival depends to a high degree on their assessment of the situation. Will they continue with their chosen expansion path or do we have to expect some structural changes in the way how markets are approached and products and services are marketed in CEE? The purpose of this paper is threefold: Firstly, to conduct an analysis of the impact of the financial and economic crisis on the economies of CEE; secondly, to judge if the business model for CEE that has been driving the expansion and market penetration of foreign firms in CEE since the 1990s is still valid and, thirdly, to see how MNCs will react to these challenges in their strategies.

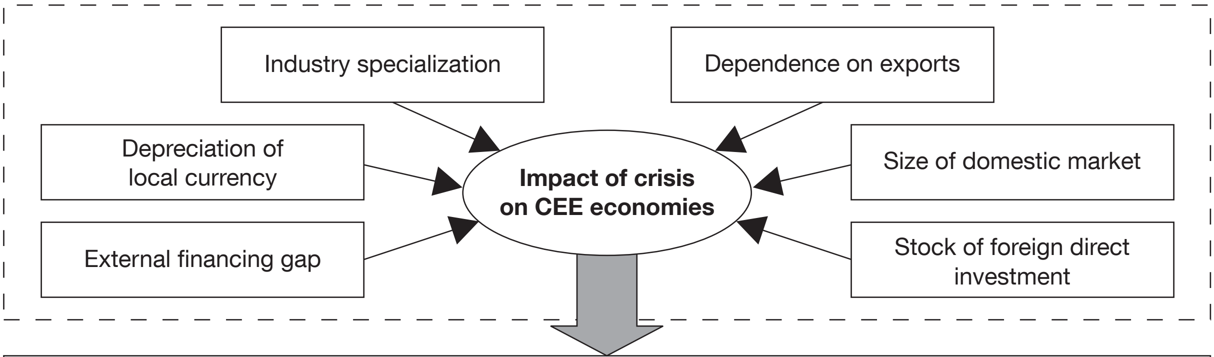
2. THE IMPACT OF THE ECONOMIC CRISIS ON THE ECONOMIES OF CEE

The current economic and financial crisis originated from problems in the financial sector in the U.S.A. in 2007. Unsound lending practices by financial institutions and unsatisfactory risk management triggered an unprecedented devaluation of assets and credit squeeze in inter-bank lending. The crisis developed quickly to a worldwide economic shock that soon reached the real economy too. From a CEE perspective the crisis was to a high degree imported. It hit the countries of the region in mid-2008 mainly via the collapse of the export markets. Especially the smaller export-led economies faced a huge drop in the demand for automotive supplies, cars and consumer electronics. The market collapse was accompanied by a drying up of credits from abroad and a fall in foreign direct investments. A massive depreciation of free-floating CEE currencies followed in late 2008, which caused a difficult liquidity situation for households and businesses with loans in hard foreign currency. Of course, part of the current crisis was also “home-made”. Extremely high economic growth rates over the preceding years, overheated real estate markets, excessive external debt and irresponsible fiscal measures by local governments contributed to the problem.

The major lesson so far is that the impact of the crisis on the economies of CEE varies. As shown in Figure 1, several factors determine the magnitude of the effect on individual economies: industry specialization, dependence on export, domestic market size, stock of foreign direct investment, external financing gap and local currency depreciation. Since the fall of the Iron Curtain the economies have been gradually integrated into the global economy. In particular, the smaller economies of Central Europe have placed their bet on a high degree of industry specialization and an export-led economic model. Slovakia is called “Detroit East” due to its high specialization in car making: 8% of its GDP and 40% of exports are related to this segment. The highest values of exports as percentage of GDP (Eurostat, 2009) can be found in Slovakia (77.4%), the Czech Republic (70.3%), Hungary (68.8%) and Slovenia (63.7%). When the primary export markets in Western Europe collapsed, the high dependence came to force. Not surprisingly, countries with a larger domestic market and a lower international economic integration such as Poland and Romania are less affected by the drop in external demand.

The inflow of foreign direct investment, the main driver of economic development in CEE in the last two decades, has stalled this year. However, a higher stock of FDI serves as a cushion against an outflow of capital (wiiw, 2009b): With respect to this indicator, Bulgaria (>90% of FDI stock/GDP), Estonia and Croatia (>70%) are in a more favorable position than Albania, Slovenia or Ukraine (<30%). The external financing need relates to estimates of the ability to refinance maturing external debts. The wider the external financing gap of a country, the stronger the depreciation pressure on its currency. Bulgaria, Ukraine, Baltics and Hungary are more exposed than other countries of the region. The strong depreciation of local currencies against the Euro in a short period of time ranging from 16% for the Romanian Lei, 20% for the Hungarian Forint to 23% for the Polish Zloty aggravated the effects of the crisis on those households and businesses which borrowed or had accounts payable in Euro (UniCredit Group Research, 2009a). Summing up the overall effect on the CEE economies, we can

Figure 1: Impact of current economic crisis on CEE economies



GDP trends for selected CEE economies for 2009-10		
Relative winners	Uncertain	Losers/Recession
• Czech Republic • Poland • Slovakia • Slovenia	• Bulgaria • Romania • Russia	• Baltics • Hungary • Ukraine

distinguish between relative winners and losers in terms of economic growth for 2009-10 (UniCredit Group Research, 2009b; Thorniley, 2009; wiiw, 2009a): the Czech Republic, Poland, Slovakia and Slovenia are seen as relative winners, while the Baltics, Hungary and Ukraine are facing a harsh recession.

3. THE IMPACT OF THE ECONOMIC CRISIS ON INDUSTRIES AND FIRMS

The effects of the crisis vary not only by country but also by industry and individual company. The Economic Climate 2009 Report of the international credit insurer Euler-Hermes (June 2009) only finds one industry in CEE, namely pharmaceuticals, for which the economic outlook for 2009 is regarded as good. First weaknesses are diagnosed for food, machinery, IT & telecom and construction, fundamental weaknesses for consumer electronics, cars & automotive and paper & pulp and a sharp recession for steel.

Even when in the same industry, companies can have quite different market, sales and performance situations. Two dimensions determine the current competitive position of companies. First of all, the liquidity position is a sign of strength in this current crisis ("cash is king"). Sufficient liquidity is needed to survive in a crisis which is characterized by a drying out of financial funds. Companies that are successful in preserving cash and pursue a conservative financing model are in a better competitive position so far. Financially highly leveraged businesses are facing pressure in refinancing. The second dimension, the competitiveness of the business model, refers to the fit of the underlying business model with the industry and market conditions. Business models that are geared more towards a "value for money" positioning that show a higher level of diversification or that are based on a clear core benefit and have a loyal customer group will weather the crisis better than specialists in endangered niche markets ("monoliners") and those with an unclear value proposition ("stuck-in-the-middle").

By combining these two dimensions in a 2x2 matrix, four positions can be distinguished (Figure 2). The survivors are financially sound companies, however with strategic weaknesses. Typically, they are privately-owned businesses which offer second- or third-tier brands, with strong positions in sub-regions or in niche markets showing more or less stable demand. The relative winners include firms such as Zara and H&M in clothing, Nespresso, Lindt or Apple (iPhone) in premium consumer goods segments, generic pharmaceuticals producers such as Hungarian Gedeon Richter or Skoda and Dacia which are makers of affordable cars. They all benefit in the crisis compared to their competitors due to a better cost and market position, clear product advantages, and strong demand even in times of crisis. Companies falling in the question mark quadrant were hit unexpectedly by the crisis. Their business model is often tailored to a lucrative niche and is based on market and industry conditions that were common in the last two decades – rising living standards and the globalization of markets. Porsche, the German sports car producer, and KTM, the Austrian producer of sport motorcycles, are good examples for this group. These worldwide leaders in their respective segments with competitive advantages in brand image, product design, and engineering are confronted with a huge drop in their global sales. These problems are aggravated by a high financial leverage which causes serious liquidity problems. The same is true of all highly specialized suppliers to the automotive or electronics industry which are suffering from the extraordinary decline in orders. It is realistic to assume that favorable market conditions will return in 1-2 years but in order to survive, these companies must adjust their capacity and have to stay financially healthy.

Companies which built their business expansion in the boom years on cheap external borrowing are trapped now. Financial leverage turns against them when a credit squeeze arrives as the current one. Those segment leaders in financial troubles become primary takeover targets for companies from the relative winners' category which see the crisis as a formidable chance to improve their market position. In consumer and business financing so called "monoliners" have to change their business model that was biased towards the lending side as they are suddenly cut off from cheap funding on global capital markets – a major premise of their success and growth in the last years before the crisis. It is hard to say if the business model is fundamentally flawed in this case or if they are just casualties of bad circumstances. In any case, the crisis highlights the weaknesses of business models. The more leveraged and risky the premises of a business model are, the lower is its competitiveness. The losers in the matrix are weak with regard to both factors. They run a high risk of going bankrupt if they do not succeed to adjust to the new demand

Figure 2: Winners and losers of the crisis – the company level

Liquidity position		
Good	Survivors	Relative winners
Weak	Losers	?
	Low	High

Competitiveness of business model

situation. The crisis forces all companies to reconsider their "profit model" and puts liquidity as the second cause of business failure back into the limelight.

4. STRATEGY REVIEW FOR CEE

A good starting point for a discussion of the impact of the current economic crisis on the strategies of MNCs in CEE is the reassessment of the business model that was guiding the expansion to the region in the last two decades. Is this model still valid or do we have to rewrite it? The answer to this central question will affect the decision on the changes to the existing CEE strategy. The focus of the following discussion will center on the future role of CEE in the strategic plans of the MNC.

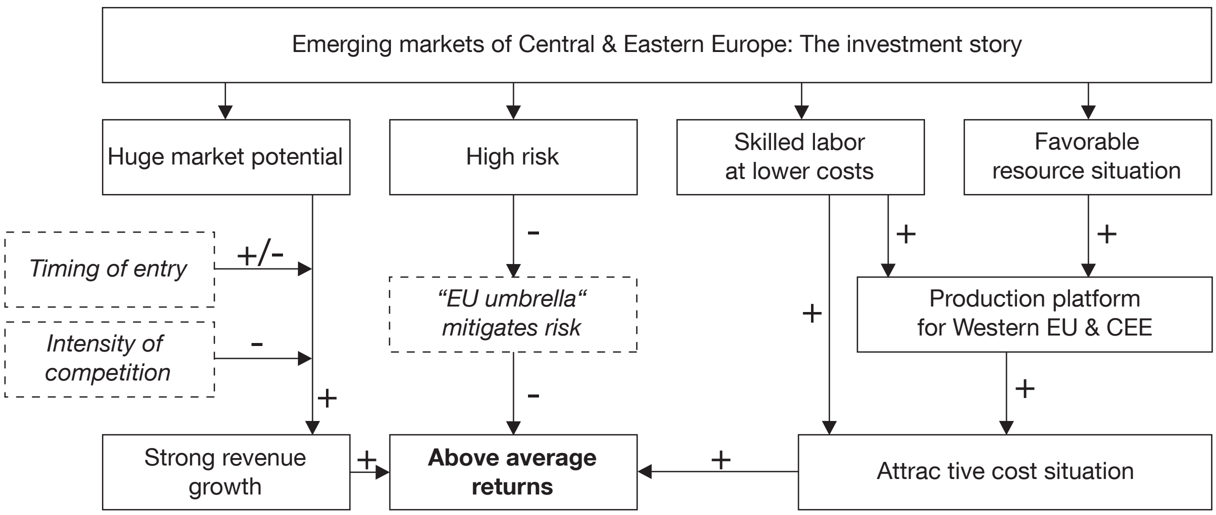
4.1 THE "CEE BUSINESS MODEL"

In Figure 3, the main pillars of the "CEE business model" and the assumed effects on the Western MNC's performance are shown. The main reasons for foreign companies to expand and to invest in CEE are similar to the ones put forward when entering other emerging countries of the world. From the perspective of mature Western markets, the major motivation for market entry is the huge market potential. Especially in those product and service categories that did not exist or were only offered in a basic and unsatisfying form under the socialist regime (e.g., mortgage, life insurance, car ownership, personal care products) a huge catch-up demand is given. The convergence to West European consumption and ownership levels due to the overall rise in living standards over the next decades is fuelling this growth story. The accession to the European Union or at least the prospect of becoming a member in the foreseeable future supports this development from the political and institutional side. While the enormous sales potential resulting from this development is undisputed the success of the individual firm entering CEE is contingent on its competitive behavior. Empirical studies show that early mover advantages exist in transitional economies (Jakobsen, 2007). They benefit by taking control of scarce assets, for instance, when they acquire dominant local production and distribution networks, local brands and natural resources. In addition, the typical focus on the relatively small upper segments of the markets leads to a very intense competition between the foreign entrants (Schuh, 2000). Thus, the timing of the entry and the existing competitive situation will have a major influence on the sales growth and profitability of the individual foreign entrant, which in the worst case could end in a loss making venture.

A very high risk is typically associated with business ventures in transitional economies. This higher risk stems from the incomplete institutional framework. The transition process from a centrally planned economy to a market-economy encompasses a fundamental change of the legal system and the “rules of the game” (Newman, 2000; Meyer, 2001). Foreign entrants face a lack of information about local competitors and possible partners, they encounter unclear regulatory frameworks, inexperienced bureaucracies, underdeveloped court systems and corruption (Slangen & Van Tulder, 2009). While on a transaction basis instruments exist to mitigate the risk, the business risks stemming from unclear regulatory and legal frameworks are difficult to manage. However, the intention of most of the countries to become a member of the EU triggered a harmonization process and the adoption of many principles ruling the law in Western Europe. These efforts in the course of the accession process and finally the EU membership led to the view that the risk of doing business in those countries is lower than the one typically attributed to “normal” transitional economies. The supposed risk-reducing influence of the “EU umbrella”, namely the adherence of CEE countries to political, legal, and macroeconomic principles and guidelines set by the EU and a likely bailout by the EU in case of financial turbulences, led to the conviction among investors that the real business risk is lower than what typically is adequate to assume for transitional countries.

On the resource side the availability of skilled labor at lower costs than in Western Europe as well as the access to energy, raw materials and other resources to more favorable conditions than at home has lured foreign investors. They started to use CEE as a production platform for the whole European market. The automotive industry developed a strong industry cluster combining parts of the Czech Republic, Slovakia, Slovenia, Hungary and Poland. The latter two became favorite production locations for consumer electronics. The availability of skilled workers, graduates from technical colleges and universities, a strong engineering tradition, wages 50-70 % below the German level, lower energy prices as well as low taxes and other government incentives created an investment-friendly climate, particularly in Central Europe. The proximity to the West European markets should not be forgotten as another strong argument for a CEE location. In total, all these advantages add up to an attractive cost position and lead to a continuous emigration of production from the West to the East. This trend is particularly strong in “traditional industries” such as automotive, durable consumer goods, machinery, steel, building materials, and paper where the opening of CEE led to a revival of these industries and improved the competitiveness of West European companies. Overall, the business model that guided the expansion to CEE in the last two decades offered foreign entrants higher returns on investment than in their (Western) home markets fed by higher growth rates, lower costs and a manageable business risk.

Figure 3: The business model for CEE – the Western MNC’s perspective



The model in Figure 3 outlines the view of foreign entrants up to the outbreak of the current economic crisis. How is this business model affected by the crisis? Will foreign MNCs turn away from the region and withdraw from the countries? Even without a final account of the devastating effects of the current crisis on the CEE economies, it is realistic to contend that the key pillars of the business model are still valid in post-crisis times. The catch-up process to West European levels has been only interrupted by the crisis. There are still huge gaps in the development of product and service markets, in the levels of ownership of durable consumer goods, and in infrastructure development. The collapse of domestic and external demand has led to declining sales and it will take some time to reach pre-crisis levels again. The substantial demand and the need to upgrade and modernize private and public facilities will not disappear after the crisis, but rather come back in a more pressuring form. The advantages resulting from the skilled workforce and the favorable resource situation are not eliminated by the crisis. Although the wages increased considerably in the last years they are still lower than in Western Europe. Strong depreciations of local currencies (e.g., Zloty, Forint, Lei) against the Euro in the countries with floating exchange rates have offset rising labor costs and maintained or even improved the relative competitive position vis-à-vis other economies.

What has to be corrected in the wake of the crisis is the perception of risk. The country risk was underestimated in the boom years, the “EU umbrella” did not really shield against all risks associated with economies in transition (although EU support was preventing the worst in Hungary and in the Baltics). Hence, the business model for CEE has not become obsolete for foreign firms. In comparison with West European countries the region could emerge even stronger from the crisis. However, we will see a more differentiated approach in the assessment of the economic potential of CEE countries in the future. The management of MNCs will pay more attention to a country’s competitiveness, the quality of its institutions and its political stability.

4.2. THE IMPACT OF THE CRISIS ON MAJOR DECISIONS OF MNCS

In this section, we will look at the impact of the crisis on different decision areas of the MNC management. There are five major decision areas for the management of MNCs that are reviewed in the context of the crisis: The future role of CEE in the corporate strategies, participation in CEE markets, activity location, product and marketing strategies and the organizational model for CEE.

Growing role of CEE in the strategies of MNCs

CEE will continue to outperform Western Europe in economic growth in the future. The region is such a huge and important market and the convergence process is such a strong driver of demand that foreign MNCs cannot turn away. Furthermore, the role of CEE as a production platform for Europe will further gain in importance. However, we will see a more differentiated approach of the MNCs towards the countries of the region. The crisis highlighted that CEE is not a homogeneous bloc. MNC management will pay more attention to the individual country’s risks and weigh more carefully the advantages and risks than in the past boom years. All this will be reflected in a more selective approach towards investment decisions in the future. The more defensive and selective investment approach of foreign MNCs will lead to a stronger competition between countries and locations for foreign direct investment. National governments will engage more in attracting investments.

Market participation – Focus on optimization of presence in CEE

For now, the expansion into new markets in CEE is on hold. MNCs try to optimize their portfolio of activities in the existing markets as the crisis brings out the strengths and weaknesses of businesses. Weak market positions in some country markets and the need to strengthen the overall financial position lead to a reassessment of the CEE strategy and to (partial) withdrawals from peripheral markets. For example, ABInBev, one of the large brewery groups of the world, announced in June the sale of 11 breweries in CEE. This is a good opportunity for cash rich companies which are already present in these markets to acquire weaker competitors. In any case, the crisis is accelerating industry consolidation in CEE and industry constellations will look differently thereafter. In addition, investment decisions focus more on the countries’ recovery potential. When trying to capture the recovery potential of economies, non-economic criteria gain in importance. Criteria such as the country’s competitiveness, the quality of institutions, and political leadership and consensus among the leading parties tell us more about a country’s ability to cope with the effects of the crisis than macro-economic figures alone. In the coming years we will see the resurgence of country risk as a key criterion in the assessment of market attractiveness.

Activity location – Shift of manufacturing to CEE continues

West European manufacturers will continue with shifting part of their manufacturing to locations in CEE. The newly established production sites in CEE have state-of-the-art technology, are more flexible and cost efficient than the ones in Western Europe. Companies that announced relocations – and even increased investments this year in CEE countries – range from electronics, cars and household appliances to paper. It seems that we face a massive shift of capacity from the West to the East within corporate groups in order to stay competitive and profitable. This marks the beginning of a more pronounced division of work within Europe. MNCs use the CEE locations to serve the markets of the region as well as an export platform to Western Europe. Parallel to the shift in production we see the same happening on the distribution side. While the majority of distribution centers is still located in "old Europe", namely the Netherlands, France, Germany and the UK, the highest growth rates and new construction can be found in the countries of CEE. The EU enlargements in 2004 and 2007 as well as the growth in sales and manufacturing lead to a shift of the center of gravity to the East (Capgemini, 2006). Moreover, CEE countries become more attractive as outsourcing location for IT and business processes (London School of Economics, 2009). Especially the educated labor force, good infrastructure, intellectual property rights protection and the good cultural fit with West European countries are favoring the Czech Republic, Poland, Slovakia, Bulgaria and Romania as nearshoring locations.

Product and marketing strategies – MNCs with diversified strategies perform better

Pure exporters from a Western home base are at a disadvantage today. The massive depreciation of several CEE currencies wiped out the import segments in many markets in CEE. Relative winners are the local producers which serve the lower ends of the markets. The downward pressure on prices and the growing "bottom-of-the-pyramid" (Prahalad, 2005) favors marketers with "value-for-money" offers. These include producers of local brands, private labels, discounters and new retail store formats help reduce expenses but still provide a pleasant shopping atmosphere such as "do-it-yourself" stores and modern self-service drug stores ("Drogeriemarkt"). CEE consumers still appreciate strong brands and market leaders are benefitting from their loyalty. MNCs with multi-tier strategies and a regional production network are positioned best to weather the economic downturn. Having an assortment of different brands covering all price-levels from the premium to the economy segment immunize those MNCs against swings in demand (Schuh, 2000). Clever pricing, the streamlining of portfolios and a strong focus on the main business are typical responses to the new market situation.

Organization model for CEE activities – Centralization is in fashion again

With the increasing penetration of CEE markets and the gradual shift of production to the countries of the region the organizational model for CEE has become more decentralized in the last years. More locally performed activities and a stronger market penetration led to a higher autonomy in decision making for the local management (Schuh, 2006). This trend has stopped now. In times of crisis the pendulum swings towards centralization again. Headquarters want to have a better control over investments, costs, liquidity and key accounts. Cost reduction programs are launched, investments are put on hold and cash management is tightened (Roland Berger, 2008). The impact of the crisis on the trend towards more complex network structures with specialized roles and responsibilities (e.g., shared service centers, centers of excellence, sub-regional management centers) is still unclear. While centralized and simplified control mechanisms are favored by central management in difficult times, the network organization and more active participation of subsidiaries allows more knowledge sharing what could be helpful in coping with the effects of the crisis.

5. CONCLUSION

The current economic crisis in CEE can be seen as an interruption of a trend or a "structural break". It mirrors a massive imbalance of existing capacity and (external) demand due to the collapse of markets, which leads to major adjustment processes at the company, industry and sectoral level. The accompanying credit squeeze is worsening the situation, even for companies with a sound core business. As a consequence, strategically weak and cash-strapped companies exit the market or are taken over by other companies. Industry consolidation on a national and regional level is accelerated, thus we will be faced with a changed competitive landscape after the downturn. Governments will be more active actors in the economic arena again, be it as shareholders of banks, guarantors, regulators or stakeholders with a pronounced national interest.

However, compared to the transformation recessions in the 1990s this crisis is not (yet) a “system crisis” – maybe with the exception of the financial services industry. This crisis will not end up in a general reconfiguration of the economic system and in the establishment of totally “new rules of the game”. Therefore, I do not expect fundamental changes in the CEE strategy of foreign MNCs. The major assumptions for the expansion into CEE are still the same. The huge market potential and a favorable cost and resource situation of CEE will not disappear. What markedly changed is the perception of risk. MNC management will pay more attention to the country and business risk and will price it more realistically than in the past. This economic crisis marks the end of the perception of CEE as a homogeneous region. We are already observing a more differentiated approach. Economies with a good economic performance, solid institutional framework and stable political system will benefit from relatively stronger foreign direct investments inflows than weaker ones in the next years. The more selective investment approach of MNCs will lead to a stronger competition for foreign direct investments between countries and locations.

The shift of manufacturing and logistics capacity from Western Europe to CEE will continue as the crisis advances the division of work in Europe. While companies with a strong local presence and market position in CEE markets are among the relative winners, companies with a weaker competitive position have to ask themselves if they will be able to compete successfully in markets with lower market growth and a higher intensity of competition. For cash-rich companies the current situation offers plenty of opportunities to buy companies with financial difficulties. Especially distressed companies with a healthy core business are of interest. The downward pressure on prices favors companies with “value-for-money” business models as well as strong local producers, private labels, discounters and “money-saving” formats such as “do-it-yourself” stores.

With regard to the organizational model we can see a strong trend towards centralization again. Headquarters interfere heavily in local operations via cost cutting programs, capacity reductions, investment freezes, and streamlining of product portfolios. The question arises how this return to central control mechanisms will affect the more complex network structures that emerged in the last years among the regional players. Organizational differentiation and specialization have been seen as a good way to make use of the competencies and knowledge that are available in the whole group. It would be a step back in organizational development when the increasing participation of subsidiary management in the multinational group’s decision-making process and the enhanced knowledge transfer among the organizational units, particularly the reverse one from the subsidiaries to the headquarters, would be stalled or even unwound by the current crisis.

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DYNAMIC MARKET-ORIENTED STRATEGIC TRANSFORMATION OF UNIVERSITY BUSINESS SCHOOL IN TRANSITION COUNTRIES AS INSTITUTIONAL RESPONSE TO INCREASED INTERNATIONALISATION OF BUSINESS EDUCATION

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Abstract: With the transition from industrial to a knowledge society our view of knowledge has shifted to treating knowledge as a marketable goods and the key source of firms' competitive advantages. In the process of dynamic transformation of European higher education, university business schools in Central and Eastern European Countries (CEEC) are recently confronted with the variety of new strategic challenges characterized by increased competition of new knowledge providers in the market, constant pressures posed by the emerging globalisation of higher education, decreasing budgetary financial support and induced privatisation of higher education and government policy of economic liberalisation. In the article, we elaborate a market-oriented academic management concept as a key tool for successful transformation of traditional university business school into a modern academic business knowledge provider. After analysing key challenges in changing European higher education context we present a holistic strategic framework for strategic business school management that is based on understanding of complexities of dynamic business education environment and the need for holistic and integrative strategic school response. It is featured by the holistic strategic and creative integration of market and academic sides of strategy into a consistent strategic tool for business schools' academic services and processes management in aligning them with the requirements of key external stakeholder in a dynamic business education context.

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DINAMIČNA TRŽNO NARAVNANA STRATEŠKA PREOBRAZBA UNIVERZITETNIH POSLOVNIH ŠOL V TRANZICIJSKIH DRŽAVAH KOT INSTITUCIONALNI ODZIV POVEČANI INTERNACIONALIZACIJI POSLOVNEGA IZOBRAŽEVANJA

Povzetek: S prehajanjem družbe iz industrijske v družbo znanja se naše razumevanje znanja pomika k obravnavanju znanja kot tržnega blaga in ključnega vira konkurenčne prednosti podjetij. V procesu dinamične preobrazbe evropskega visokega šolstva se danes srečujejo univerzitetne poslovne šole v državah Centralne in Vzhodne Evrope s paleto novih strateških izzivov, ki jim dajejo pečat vse večja konkurenca novih ponudnikov izobraževalnih storitev na trgu, stalen pritisk porajajoče se globalizacije visokošolskega izobraževanja, krčenje proračunskega financiranja in privatizacija visokega šolstva kot del politike ekonomske liberalizacije. V članku preučujemo koncept tržno usmerjenega akademskega menedžmenta kot ključnega orodja za uspešno transformacijo tradicionalne univerzitetne poslovne šole v sodobnega akademskega ponudnika poslovnega znanja. Na osnovi analize ključnih izzivov v spreminjajočem se evropskem visokošolskem kontekstu predstavimo holističen strateški okvir za strateški menedžment poslovne šole. Model je oprt na razumevanje kompleksnosti dinamičnega okolja poslovnega izobraževanja in na potrebo po celovitem in integriranem strateškem odzivu poslovne šole. Njegova značilnost je holistična in kreativna integracija tržnega in akademskega vidika strategije kot orodja za menedžment akademskih storitev in procesov univerzitetne poslovne šole v njenem prilagajanju zahtevam ključnih zunanjih deležnikov v dinamičnem okolju poslovnega izobraževanja.

Ključne besede: *poslovno izobraževanje, globalizacija izobraževalnega trga, poslovna šola, poslovno znanje, transformacija poslovne šole.*

1. INTRODUCTION

Today, university business schools in CEEC operate in a dynamic academic *and* business environment. Due to a variety of external pressures their operating framework has become more volatile and unpredictable. They are faced with changing attitudes of the critical public concerning the role of business school in a society and management education as the profession. At the same time, they are also exposed to manifold pressures from local and international education policy institutions (e. g. European Commission, local governing and regulatory bodies) and faced with increased dynamics of the business world. Competitive pressure spreads in business education market through privatisation of business education in CEEC and proliferation of new local private business schools and from emerging globalisation of higher education (transnational education).

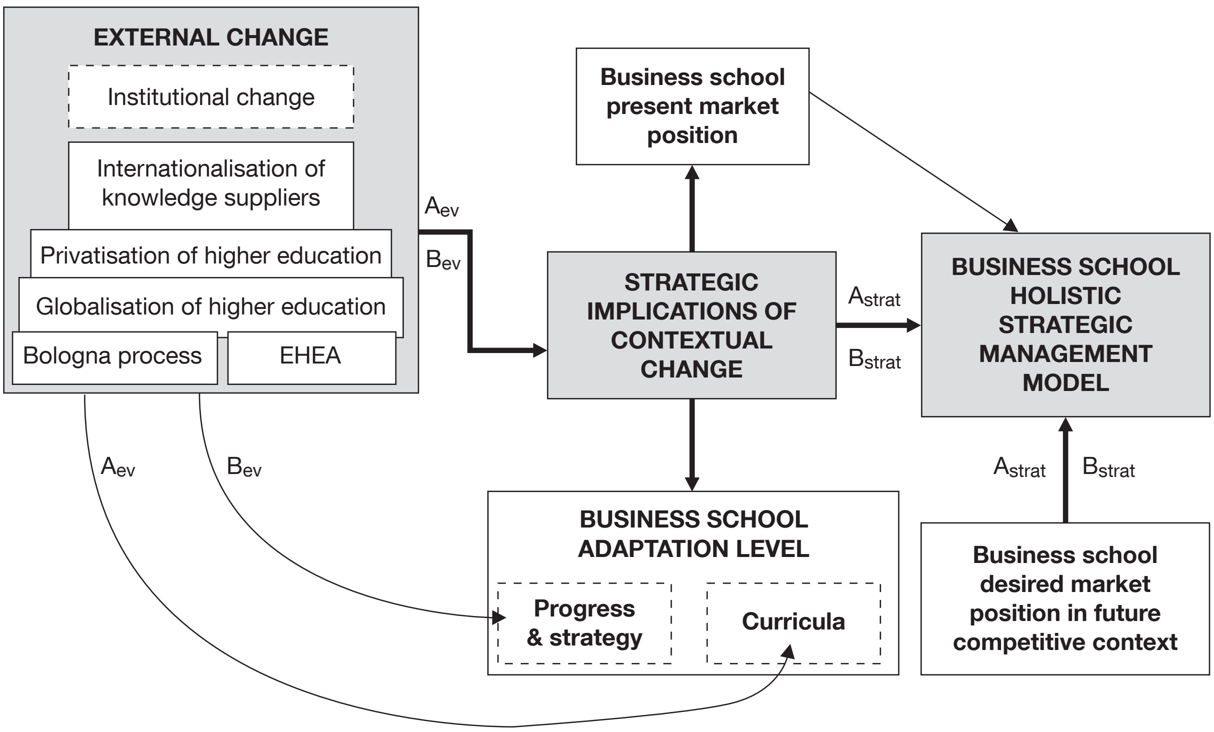
Additional pressure is posed by new requirements concerning a sustainable and socially more responsible development of businesses and world economy, and claims of managers and academics for a more responsible stance of business schools in their research and business education. To be more responsive to the business world requirements, they should be listening more carefully to the development needs of businesses and society. In face of actual world economic crisis and recent fraudulent and unethical business practices of managers in many companies in different parts of the world business schools are exposed to severe criticism concerning their pervading management paradigm development and too academically oriented approach in their management education. It is not surprising, therefore, that several prominent researchers voiced their critical views about business school functioning and practice (Podolny, 2009, Acito, McDougall, and Smith, 2008, McGrath, 2007, Starkey and Tiratsoo, 2007, Ghoshal, 2005, Bennis and Tool, 2005, Mintzberg, 2004, Kirp, 2003, Bok, 2003, Pfeffer and Fong, 2002, Crainer, Dearlove, 1999), especially in the sense of being too detached from the true needs of businesses in their research and education processes. On the other hand, they also criticised business schools' exaggerated pragmatism in their aggressive marketing practices that are focused more on making profit with mass education in their educational programmes than on providing a relevant contribution to the society by offering more useful knowledge to the business community. Concern was also raised for the development of more relevant student skills and competencies that they will need after graduation in their professional career in a more dynamic and complex business world. However, many stakeholders, especially those from the business community, fear that business schools are too academically oriented in their research and teaching *because of* losing the contact with the reality of the business world and, therefore, failing to produce more useful knowledge for solving relevant problems with which managers cope daily in their business practice.

We hypothesize that university business schools should, in order to develop the competency for more market and socially responsive behaviour in a more dynamic and competitive higher education market, first, critically evaluate their functioning and present market positions at the academic (A_{ev}) and business processes (B_{ev}) level (see Figure 1) in view of profound external changes and more demanded stakeholder requirements and expectations, and then, focus on improving their capability for a more timely responsiveness and adaptation to the relevant contextual change.

University business schools in CEEC have been exposed to the influences of politically adopted liberal economy paradigm advocated by many local governmental bodies and politicians that view the public sector privatisation as a key instrument for forcing players in public domain (e. g., health care, higher education) to behave more rationally and earn more money through *sales* of their services through market mechanism and not anymore on the basis of traditionally dominant paradigm of public servants widely offering education services as a public good financed from the national budget and thus affordable to masses of students. Also due to broader European institutional changes, especially the emerging EHEA, realization of the Bologna process and Lisbon strategy, the EU research and project financing initiatives, simplification of professional qualification recognition procedures, emerging unification of national framework of qualifications, and influences of emerging globalisation in higher education, the dynamism and volatility of the European academic context have increased and, accordingly, strengthened the pressures for change in the academic community.

In face of the aggressive international expansion of many elite business schools, especially those from the USA, UK, and Australia, the use of Internet as knowledge dissemination channel, and various strategic initiatives of national government bodies in Western Europe (e. g., Ministry of Education, 2009) a traditional position of the *university business school* as an exclusive

Figure 1: Strategic framework for business school strategic adaptation to change



knowledge provider in local marketplace has started to erode. We assume that the implications of extensive exposure of business schools to changing external context should be properly considered not only in the curricular reform (level (A_{strat}) of *each* individual business school, but at the same time also in its processes (level (B_{strat}) *and* in the development of its overall strategic adaptation framework at both levels. We present our basic model in Figure 1.

The rest of the article is divided in two parts. First, we will examine key implications of the emerging globalisation of business education market, the Bologna process and other key contextual changes (A_{ev} and B_{ev}, Figure 1) for international business education and strategic management of a university business school. On the basis of better understanding of key external challenges for a business school we will, then, integrate this external contextual knowledge framework with a holistic model of a business school market- and stakeholder-oriented strategic management that should enable managers to better align their business school with the needs of its key stakeholders in a society (levels A_{strat} and $B_{strat,}$ Figure 1).

2. COMPLEXITIES OF ACADEMIC AND MARKET CONTEXT IN UNIVERSITY BUSINESS EDUCATION

Business corporations are fundamental cells of modern economic life and wealth creation and have shaped the physical and social world in which we live (Dumphy *et al.,* 2003, p. 3). The key part of a profound economic transformation in CEEC is based on the governmental policy of open economy and market deregulation accompanied by the privatisation of companies in transition countries. In the process, they will be increasingly exposed to dynamic international competition, which will force their managers to align firms' business models and managerial approaches with new realities and base future operations on more internationally comparable market performance measures. In this respect, an adequate management and managerial knowledge of managers have become *the* key firms' competitive competences. Due to their more aggressive business activities in the marketplace the by-product of firms' results and their managers' decisions are also visible in negative effects (environmental pollution and deterioration, fraudulent business practices, etc.). That has not remained unnoticed by critics of such behaviour of business organisations. The requirements for preserving social wealth, healthy living conditions and sustainable development in the world economy have been stressed as key paradigm for a desired future social development. Therefore, the present business model should be replaced by a new one, leaning on explicit sustainable development and embedded in ethically and socially responsible behaviour of firms *and* their managers. Such understanding of business corporations also broadens the management paradigm upon which business firms should not be viewed only as market players directed to short-term profit maximisation, but, first of all, as responsible social institutions in which their leaders (managers) navigate their business activities at the intersection of the following key mutually interwoven forces in a today's complex social context: the global economy, natural environment and social and political system (Tomorrow's Global Talent). Thus a new business context with a different management paradigm is emerging and as a consequence of this change in strategic firm orientation a much broader set of managerial competencies and management knowledge will be required. Along with emerging *globally responsible leadership* paradigm (EFMD & gfme 2006, p. 3) business schools should change their curricula, mindset of their faculty members and delivery modes in teaching processes in order to develop a more relevant response to challenges of the business world and better comply with new social needs and business requirements.

Due to increased globalisation of markets, accelerated knowledge proliferation and obsolescence and other relevant pressures in global social context Europe is in active search for more innovative and proactive competitive responses to this reality that emerged from the increased competitive pressures on the European businesses. Knowledge and innovations are viewed as key pillars for increasing the knowledge base (value-adding) components of firms' products and services in an emerging global competition. In the process of transforming Europe into a knowledge society the role of higher education will be strengthened. As knowledge has become a key pillar of emerging knowledge society and of the competitiveness of businesses, besides the innovative fundamental research, knowledge transfer in the form of *useful knowledge* is also increasingly seen as the key source of added value of business firms and managerial effort to improve their competitiveness.

It is obvious, however, that a more volatile and unpredictable business and social context will not leave higher education untouched. University business schools in transition countries have traditionally thrived in a highly regulated local academic landscape that was efficiently isolated from international competitive pressures. Stable budgetary financing of higher education and additional streams of revenues from school market activities have enabled them to prosper for years in a rather calm local academic context. With emerging globalisation of business education market that also touched the CEEC region the operational reality for business schools has started to change. The academic landscape has become more unpredictable and competitive in its nature and deans of business schools have been forced to thoroughly rethink the school strategy in an effort to align its strategic response with changing and more competitive academic context for business education. Due to comprehensive and complex changes in external context, a more strategic and proactive response from university business schools will be required in future.

In their effort to properly respond to new external challenges posed by the emerging *globalisation* of higher education and fragmentation of market demand, aligning actual strategies for defending an achieved presence in the marketplace and market share will not suffice. Rather, business school managers should start the process of strategic business transformation of their schools that should strengthen their proactive capability and professional (academic *and* business) competencies in order to achieve a more proactive stance in their activities that are required as a proper strategic response to a more dynamic business education landscape. It is also important that deans start looking at the changing situation in business education landscape with a global perspective in their mind (LeClair, 2008, p. 31) and view curricula innovation as *one* of strategic instruments (of the school's strategic competency profile) for developing a differentiated position for their school in a dynamic competitive business education context (Durkin and Kamm, 2008, p. 58).

From the above discussion on key challenges of contextual changes it can be summarised that business schools in transition countries, as well as those in countries with traditional market economies, are exposed to a broad variety of external challenges that should be considered in their strategic alignment process with more complex academic and competitive reality. The following pressures from the changing academic landscape should be explicitly considered in their strategy development process:

- increasingly restrictive government budgetary policy in financing public higher education;
- unreflective and inconsistent government policy regarding higher education privatisation;
- international harmonisation of higher education structures defined by the Bologna process;
- spread of unfavourable demographic trends in Europe that affect the enrolment dynamics;
- more aggressive competition among European universities and business schools for students in face of emerging EHEA and increased student mobility;
- proliferation of non-traditional business knowledge providers in the marketplace;
- aggravating competition due to extensive market entry of new private business schools with more pragmatic marketing strategies;
- the need to adopt more market-oriented and economically efficient practices and strategies;
- Internet as a platform for developing international distant e-learning programmes and an efficient channel for knowledge dissemination;
- business school rankings and positioning as a strategic tool for school market recognition and reputation development.

As a result of Bologna process, media rankings, and market oriented tuition payment practices that will spread over the European higher education landscape in not so distant future, the competition of European university business schools for international students will increase. That will force them to spend more time and their valuable effort for the academic entrepreneurship than to putting great deal of their energy and time into securing governmental subsidies for education and research (Jacobs and van den Ploeg, 2006, p. 289). However, increased marketization of knowledge and education drives that market toward a kind of *generic marketable service* business, which urges suppliers of business education to strengthen their efforts for improving their visibility in the marketplace and better aligning their educational offering and services with the needs and expectations of their key customer groups.

On the other hand, Doria et al. (2003) note the effort of business school deans to tailor their programmes to the media ranking criteria in order to move higher on their ranking lists. In addition, a greater unification of study programmes is noticeable, which leads to an increase in generic and less distinctive features of business school education offerings. Leading business schools as prestige institutions have become role models for other knowledge providers that offer similar programmes and courses developed on the basis of benchmarking market leaders and their approaches and concepts and thus imitating their educational offering. With the proliferation of market offering of basically similar educational programmes and curricula in terms of their content, structure, and modes of delivering knowledge, business education institutions are pushing business education toward the market commoditisation of education. One consequence of this process is already visible in strong convergence of programmes that is additionally strengthened by pressures from various external players (governments, media, professional associations, accreditation bodies, etc.) displayed in their evaluations, rankings, and requests of 'successful' models and 'best practice' (Engwall, 2007, pp. 17-18).

With more and more players in the business education market it is not easy for any business school to build up a sustainable competitive advantage in the market. As the international higher education market is evolving toward a commoditized model of education, embracing a business model of competition and aggressive marketing of knowledge providers, many researchers have expressed serious concerns regarding the marketization of higher education and in doing this comparing it with traditional business world where consumer goods are sold (Gibbs, 2002). The key question for university business school managers is then, how should they develop their schools' offering in order to attain a differentiated position in the marketplace *and* at the same time preserve the academic valu Due to the globalisation and increased market transparency of business education it has become evident that many players are offering the same kind of programmes and content. As noted by Jordi Canals, IESE dean (Bicherstaffe, 2007), business education is becoming a commodity as everybody teaches the same marketing, operations courses, all with similar content, concepts, using same text books, cases and so on. The only facet of management education that has not become a commodity yet and is still not standardized is *the process,* the way the school delivers the content of courses. The content is becoming more standardized than the process. Besides the course content, especially the school's capability to place *the formation* of key students' professional skills in the wider context of problems that companies are going to be facing over the next few years will become an important competitively differentiated feature of the business school that tries to offer students not only professional content, but also practical knowledge for solving problems in today's complex business world.

As private business schools operate in the business education market with more pragmatic strategies and vie for students with more aggressive marketing approaches, university business schools are usually in a disadvantageous position vis-à-vis such nimble independent knowledge providers. In their daily (business and academic) operation, as member institutions of universities, university business schools are exposed to various rigidities and limitations set by the university management and its governing bodies. Due to rigid university decision structures and mechanisms, explicit limitations of dean management competencies, rigid view of academic freedom, bureaucratic rules of academic operation etc., the university business schools usually display much slower responsiveness to market change in comparison to private business schools that act more flexibly and as pragmatic competitors in the business education marketplace. As university decision-making processes are also often more cumbersome and more political in their nature, the speed and flexibility, so critical for success in the modern business school, can be lost (Lorange, 2008, p. 189). Their curricula are mostly based on academic research; therefore, such academically designed study programmes are not always accepted in the marketplace as equally attractive offering in comparison to more pragmatically designed programmes of private business schools.

All these streams of pressures on university business schools are additionally strengthened by the Bologna process focused on the harmonisation of higher education in Europe and, last but not least, promoting increased competition between universities for student enrolment. However, McKelley and Holmèn (2009, pp. 1-3) note that '…regardless of whether we believe that the increasing competition has positive or negative effects, the transformation will affect academics and students, as well as the ability of firms and nations to compete in global knowledge society'. Faced with a shrinking segment of young generations due to negative demographic trend in Europe and elsewhere, business schools will be forced to strengthen their marketing efforts, broaden their geographic scope of academic activities, improve their admission processes and make studying at their schools look more attractive in order to attract a sufficient number of *international* candidates for enrolment into their study programmes.

University business school deans should also bear in mind that in their transformation process of aligning school with new market and context reality they should also listen to the critical views of their key stakeholders that usually view business schools as too academically oriented institutions and detached from the real business world in their research and teaching. The structure of their curricula was also criticised (Atwater, Kannan, and Stephens, 2008) as being too fragmented and functionally isolated and thus failing to provide students with a more holistic picture of understanding the complexity of business problems in a real business world. Critical stakeholders fear that with such approach business schools are not preparing students well enough for challenges they will face in their business career after the graduation. Therefore, strategic market-oriented transformation of a traditional university business school in CEEC into a modern market-oriented knowledge provider is not possible without *prior* deep understanding of changing external context and key expectations and needs of school stakeholders. However, it is important that university business school leaders *and* faculty understand changes in a larger (academic, business and market, institutional, social etc.) context and *not only* their narrow academic research and teaching framework. Especially understanding of the social and institutional context and influences on managers in the business world and on individual person in their various roles in the society is vital in order to focus the research and educational effort of the school on relevant questions of the society and its key institutions and to offer appropriate education content and ways of delivering knowledge to interested external stakeholders.

3. HOLISTIC MARKET-ORIENTED BUSINESS SCHOOL MANAGEMENT IN CHANGING BUSINESS EDUCATION CONTEXT

We may conclude from the above discussion that business schools in transition countries are faced with a variety of forces that are fundamentally reshaping their traditional academic context and pose new, not only academic, but also competitive *and* managerial challenges to *all* knowledge providers. In future, obviously, traditional university business schools will have to become more market responsive, innovative, entrepreneurial and internationally oriented academic institutions that should behave more proactively in their operation in order to defend their position in a more competitively oriented business education context.

As the key notions for competition are *differentiation* and *performance* (McKelley Holmèn, 2009, p. 6),[1] each university business school should develop its competency based, consistent and differentiated strategy for its position development in the business education market. In such operational context, university business schools will be forced to behave in future not only as *traditional* public academic institutions, but also as *market-oriented players* in business education market, complemented with high responsibility and sensitivity for key development priorities of a society. Each school should carefully develop and dynamically consolidate its *competency profile* in order to improve its performance capability in the academic field *and* preserve required adaptive capability in international competitive higher education market. As noted by the above authors, those higher education institutions that have decided to compete globally or at least in a broader regional educational setting should develop a *different set of competencies*[2] and strategies than purely locally oriented knowledge providers that limit their operation on their local or regional markets. But in the process of developing a strong academic value not all business schools will be capable to compete for new students from the worldwide talent pool for which they should develop necessary global brand recognition (Lorange, 2008, p.47).

It is expected that in future not only competition between European university business schools and whole universities will increase, but at the same time, the competition between countries as attractive providers of higher education will also be strengthened. Besides traditional countries as international academic knowledge providers, e. g. the USA, the UK, Australia, Canada, other European countries should also make necessary effort to improve their position in exporting knowledge to international customers. For example, Finland has recently changed its university regulation in order to enable public universities to behave as key national academic institutions more explicitly as market (business) entities with the ability to provide additional streams of revenues with marketing knowledge and implement other business activities that can

[1] Italic added by the author of this paper.
[2] Italic added by the author of this paper.

increase their required financial resources. At the same time, the Ministry of Education has prepared a comprehensive strategic framework for the internationalisation of higher education institutions. It is based on the vision to increase the strengths, quality and attractiveness of Finnish higher education system by supporting the internationalisation of higher education institutions and thus to promote diversity in the society and business community, international networking, competitiveness and innovativeness with a key objective to improve the overall competence and education of the citizens. The final objective of the strategy is to create Finland as an internationally strong and attractive higher education institution and research community in order to support the balanced development of multicultural society and increase active participation in solving global problems. Higher education and expertise are seen as nationally significant exports (Ministry of Education, 2009, pp. 3-5). Appropriate forms and means of internationalisation, however, vary according to the fields of education and research. For small economies, like Slovenia with highly internationalised business enterprises, it is vitally important that business schools as educating institutions of future managers more substantially internationalise their research and educational activities, staff and key processes in order to enable students to develop cross cultural awareness and adequate professional competencies. As internationality of knowledge and business management has been taken for granted, it is important that managers develop an international business mindset as one of their key professional competencies. But intensive professional ties of a business schools with local *and* international business community are also vital for their professional profile and recognition development among managers. At the same time, business school mission to create, renew and transfer knowledge has become more explicitly pronounced expectation of the society and its stakeholders, and, at the same time, also a prized asset and commodity in the modern economy (Delaco, Holmèn, and McKelvey, 2008).

In their more market-oriented behaviour, business schools have also started to systematically manage and cultivate their portrayed brand image in order to increase the positive public attitudes with various stakeholders (Hemsley-Brown and Goonawardana, 2007, p. 943). Attitudes about the reputation of university business school are additionally strengthened by various media rankings. It is true, that business schools have always competed against each other to a certain extent, but the situation today is forcing them to relate all their activities with commercial values, expressed as maximising revenues and cutting costs, expanding internationally to exploit new market opportunities and to do all that, usually also put their prime academic values behind their *business interest.* At the end of the day, however, business school deans would like to see their institutions as ‘brands’ (Starkey and Tiratsoo, 2007, pp. 63 and 70). As external stakeholder perceptions of business school value propositions affect their understanding of schools’ reputation in the business education marketplace, various media rankings of business schools represent an important channel of influence on business school prospective customers.

In the competitive context of academic business education sector, business school reputation has become a kind of ‘unique selling proposition’ in the eyes of school key target groups as it influences their perceptions about a business school ability to create value for its services relative to competitors (Rindova *et al*., 2005, p. 1033). In order to maximise its return from branding and marketing strategy, each individual business school should develop a more clear understanding of how students perceive a business school and what motivates them to enrol in its study programmes. Recent business school image studies (EFMD surveys, 2006 and 2007) have shown that business school brand and reputation affect its recognition in a broader community. They also serve as important inputs to prospective students’ perception of school overall attractiveness in their selection procedure when they try to identify the business school that offers best study and learning experience.

Business school rankings act as a kind of public pressure on business school deans that are responsible for developing a proper position and standing of their school in a business education marketplace. That is also the key reason for a hefty criticism of media that prepare and publish business school rankings, because, according to observations of many concerned academics (Khurana & Gintis, 2008, Khurana, 2007, Starkey and Tiratsoo, 2007, Mintzberg, 2004, Ghoshal, 2005, Pfeffer and Fong, 2002 etc.), many business school deans put high on the priority lists of their strategic decisions mostly those activities that are in line with the ranking criteria expecting that with such measures they will be able to demonstrate the improved position of their school in the ranking. However, it is true that through a well conceived communication strategy and good position in business school rankings individual business school can improve its visibility in its relevant environment. By sending positive messages to its key stakeholders a school tries to shape stakeholders' desired perceptions about the school's standing in the marketplace. Obviously, the key point is how to balance the school's marketing actions that promote its business activities with the vision of the school academic competency and its social responsibility.

Business school reputation management has thus become a key part of deans' overall strategic managerial responsibilities and is carefully embedded in the school strategy covering the positioning of its academic, administrative, and marketing (business) processes. However, for the university business school it is important to set a proper limit to the process and draw a clear line between its positioning in the marketplace and explicit efforts for realising its broader mission in the society. Due to their basic educational mission in the society, university business schools should transcend a short-term, customer-led philosophy. Rather, they should provide useful and relevant solutions for future development challenges of businesses *and* other stakeholders in a society. To be capable of transforming themselves in this direction, university business schools in the CEEC should also base their functioning on *relevant* academic research and foresight in a sense to spot very early key future challenges in the market and in their broader social context in order to act proactively by offering appropriate solutions to its key stakeholders and thus supporting their proper response to those challenges. To develop the capability for a proactive understanding and responding to future needs of a society, university business schools should be *'market-oriented'* in displaying their long-term commitment to understanding true needs of their key stakeholders in a society. Such approach should, therefore, be complemented by deeper understanding of changes in a larger business school context and transcending thus a too narrow market view of their knowledge provision of market position management purposes.

Students are only one of business school's key stakeholder groups that should not be treated as a totally independent market segment, but rather as one tightly linked with the business world and the knowledge needs of businesses as key employers of business school graduates. Understanding students not only as business school customers, but also as co-creators of useful knowledge, is pretty close to the view of students as intermediate customers (clients) and knowledge absorbers. Here we refer to Holbrook (2004, p. 25) who criticises business schools displaying the exaggerated treatment of students as customers and especially their effort in trying to satisfy their needs and expectations not only with education, but rather also by '…offering them information that they find easy and fun to assimilate'. He names such approach as "edutainment".[3] With such approach business school is risking to slide into too pragmatic vocationalism and 'trade school mentality' instead of cultivating academic and critical thinking approach in its education of students. We think that students should also be treated as co-creators of educational services in the process of developing relevant professional (teaching and learning) experience. The level of effort a business school puts into serving each of its specific groups of stakeholders and how it allocates its key resources to support academic activities for each strategic segment depends on its *strategy.* As always, strategy means choice (Lorange, 2008, p. 196) in designing a purposeful and focused set of strategic measures to attain a desired performance of a business school.

As latent needs cannot be articulated explicitly, university business school should scan its market and social context more broadly and have a longer-term focus.[4] Such approach requires from academic researchers (faculty) to be close enough to the real business and social world in order to better understand relevant external context for their their schools and improve their own professional capability of developing new *relevant* research questions that will tackle the future needs and challenges of businesses and society. As future can never be fully known in a dynamic and turbulent market (Slater & Narver, 1998, p. 1003), business schools should use experimentation and design approach in their research and education processes in order to foster generative learning practice. But to develop the necessary foresight capability for identifying new opportunities very early and staying abreast of what is happening in the business environment, business schools should direct to that process a sizable investment of time in research, knowledge gathering and networking (Lorange, 2008, p. 92). By developing a fruitful

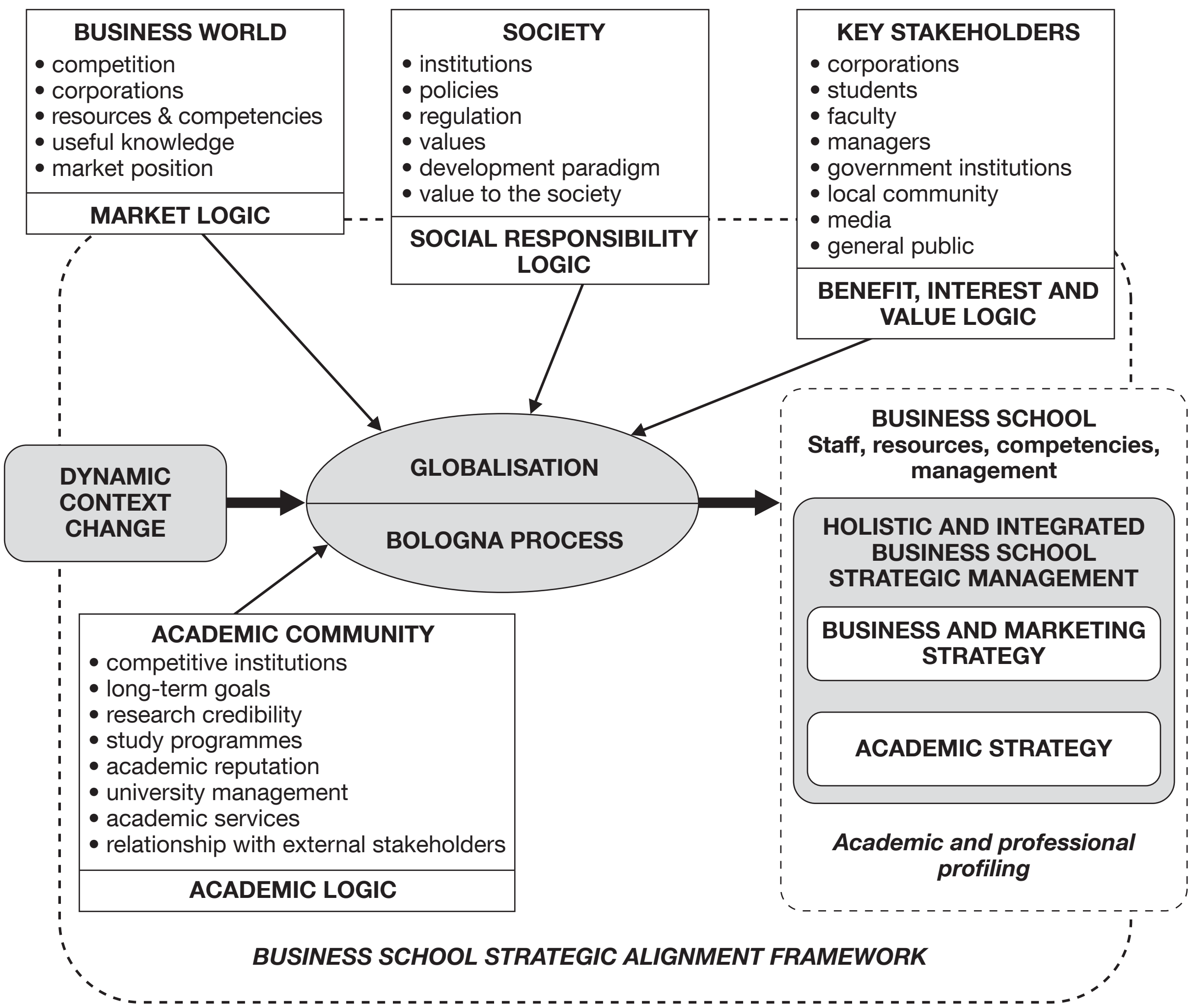
[3] Education + entertainment.

[4] See more about market-oriented business philosophy in: Slater & Narver 1998.

partnership and networking relationship with the business community a business school can realize two purposes – to gain better understanding of key future challenges of business firms and direct its research questions and projects in searching for new knowledge that will provide academic value and, at the same time, offer practical solutions for problems to the business world. With high quality partnerships with the business community business schools can improve their visibility and reputation in their community upon the positive perception of managers in business firms and other key stakeholders. At the same time, business schools can earn with their useful research and consulting practice additional streams of revenues from contribution of their key business partners (AACSB, 2006).

The academic and business efforts of a business school are displayed in its professional and academic profile, accompanied by its specific reputation and image (See also: Delaco, Holmèn, and McKelvey, 2008, p. 8). In this strategic process, based upon the school's key competencies, strategic vision and ambitions, its managers should develop appropriate academic and professional profiling of a school. There are many alternative types of profiles of a business school and the dimensions of its key activities can be defined in two ways: on the one hand, the balance it strikes between teaching and research; and on the other hand, the balance it strikes between organisational impact and scholarly impact (Ivory *et al.,* 2006, p. 15). These differentiated activities of knowledge production have implications for both the internal management of schools and the external policies that affect them (*ibid.,* p. 19). The key strategic task of a business school dean is then to develop a fruitful alignment between business school strategic profiling it is seeking to attain and

Figure 2: Holistic concept of business school strategy in a dynamic academic context



external demands in such a way that business school faculty development, its academic and business competencies, strategies, structures and nature of organisational change would provide a consistent framework and synergy in the effort to attain a desired school position in the business education marketplace and in a broader business world context. Thus, increased complexity and dynamics in business education market requires from university business schools, their managers, faculty and professional staff to develop a capability for (Kolb 1984, p. 2) '… learning to adapt to new "rules of the game" as it is becoming as critical as performing under the old rules'.

In order to facilitate business school deans to adequately respond to the requirements of complex academic, institutional and market context, we will present a conceptual framework for a market-oriented strategic management of business schools. It is grounded on a *holistic approach* to developing a strategic market-oriented responsive capability of a business school to external challenges (Figure 2). Such management tool should enable business school deans to devise appropriate academic and business strategies by efficiently combining research, educational, business and other processes and competencies into a consistently integrated and holistic strategic response of a business school to external challenges. As noted by Webster *et al.* (2006, pp. 12-13), business schools do have their relevant customers, competitors, external influences, and seek to accomplish their specific goals that are linked with business school mission and vision of its position in a society.

In a more dynamic and unpredictable operating environment strategy development process of the university business school should be considered as integrative and consistent institutional response to increasingly complex external environment. In increasingly dynamic academic (educational and research) and institutional context university business schools have to compete also with new and non-traditional business knowledge providers. Obviously, in future they will be in a position to compete increasingly harder even to retain their established position in local business education market. Such volatility of operational context requires that business schools adapt *strategically* to the new reality. As we mentioned before, the curricular reform alone is not the guarantee to position the business school effectively in the new business education setting. In the strategic management of business school processes, internationalisation will also be one of its key future strategic expansion strategies (Starkey and Tiratsoo, 2007, p. 2). Such approach (Figure 2) necessitates a more holistic and integrative strategic management effort, focused on combining academic *and* business facets of business school processes and capabilities into a coherent and comprehensive response to the needs of its key stakeholders and other challenges in a society.

Business schools should serve the community by providing solutions for better management of business processes in a national economy and by producing capable graduates with relevant competencies and skills and thus preparing them for their future role as managers. Business school key success criterion is to *create value* by emphasizing (Lorange, 2002, p. 16):

- *research* with creating new knowledge about management and the role of business in the economy and its society;
- *teaching* through dissemination of knowledge to individuals (and to business organisations); and
- *citizenship* as a kind of service to the community.[5]

In the holistic process of creatively combining academic and business (marketing) aspects of its operation the explicit school social responsibility should also be integrated with other parts of the strategic process in order to reduce people's distrust in a business school and display that the school values what society values and thus promotes behaviour that is consistent with values of the society (Podolny, 2009, p. 66). However, in a holistic approach to strategic business school management its key processes, programmes (curricula), and other services and activities should be integrated into a coherent and consistent strategy with a vision of improving *school capability* for *delivering value* to all key stakeholders in its relevant social context.

In such holistic managerial process, a business school should develop a more market-oriented, customer and stakeholder focused, socially responsible, and cost efficient academic posture. One of the key challenges is, however, to develop opportunity for future growth and development of a business school (Lorange, 2008, p. 24). The answer lies in its willingness to embrace new segments that offer strong potential for future

[5] Italic added by Lorange.

growth and where academic value can be created. Especially management continuing education (lifelong learning) and applied practitioner-oriented research and business consulting offer important challenges for future growth of a university business school. Very challenging avenue for business school growth lies in the internationalisation of its operations as part of its strategic focus on developing faculty and support staff competencies, infrastructure and programmes for purposefully extending its activities across the border. Strong market-oriented philosophy can thus help strengthening the scholarship that benefits society by developing *useful knowledge* for meaningful solutions to significant real-world problems. However, it is vitally important that the faculty is *close* to the world of business practice and committed to active working attitude with the aim to impact the future of management practice (Worrel, 2009, p. 129)[6]. Obviously, in the academic environment we can talk about the value of "customer intimacy" as an important knowledge input that ensures better products and services that meet consumer needs (Jain & Goloninski, 2009, pp. 102-103).

In developing a proper strategic response to new contextual reality in which traditional university business schools will operate in future, their deans should shape a clear research strategy, based on the academic profile of their institutions and understanding of relevant needs of the society. In order to implement such market-oriented strategic change of their schools they should better understand key external challenges in the changing job market and relevant knowledge needs of the business world, and, based on that *market knowledge*, then restructure their school's core processes, programmes (undergraduate, postgraduate, executive) and other forms of their interaction with external stakeholders (business consulting, partnership, service to a broader community) in order to better serve the needs of the portfolio of their key strategic stakeholders and successfully align its operation with relevant external context. However, in evaluating the useful contribution of business school to the society in a knowledge economy, the question of 'value for money' is more and more exposed as a measure of its relevance to the society, and, as a consequence of such view (Starkey and Tiratsoo 2007, p. 198), producing 'practical solutions' has become a key driver of assessing the value of knowledge in 'contextualized' situations that is not understood as a general (academic) contribution of new knowledge, but rather as its application in a relevant context and with measurable contribution to the competitive and profitable performance of business firms.

It is evident from the presented holistic management approach that along with the underlying *academic* and *educational* aspects of business school processes and its strategies, *competitive* and other relevant *social* perspectives should also be explicitly and tightly integrated into a *synergic* overall school strategy. Most importantly, appropriate *strategies, timing* of reaction to change, and *financial health* of the university business school will be crucial for its growth and future prosperity. Based on relevant *market knowledge* and objective strategic evaluation of school's key competencies, it is possible to evaluate key pressures in terms of required school strategic response and develop and implement necessary actionable programmes, processes and other changes upon them. Such approach enables a school to successfully integrate its overall strategy in a consistent pattern of behaviour leading to realization of its key long-term objectives. With such strategic approach to market change, business schools improve their capability for linking effectively their academic processes with proactive market-oriented behaviour and thus better fulfil the needs and expectations of their key stakeholders and successfully accomplish their own strategic roles in a society.

4. CONCLUSION

The fundamental shift is noticed toward restructuring higher education as a market rather than a regulated public sector (Newman *et al*., 2004). Our research has shown that the increased complexity and dynamics of business education context in CEEC and wider Europe require that each business school and its management develop a deeper understanding of key external forces of pressure that can affect the present position of the school in the business education market. Such deep contextual understanding is a key prerequisite for a business school dean capability of defining and implementing the adequate strategic response. In the article, we explore in detail the implications of strategic changes in the European higher education context and the evolving operational environment for business education. The research is particularly relevant for business schools in CEEC. Academic institutions in countries that have entered the process of a comprehensive transition to open market economy paradigm

[6] Italic added by the author of present article.

have recently become more exposed to the forces of market competition. Faced with more competitive business education context university business schools are also pressed to develop a more responsive and market-oriented behaviour. External pressures will force them to undergo a comprehensive transformation process in order to improve their capability for aligning academic and marketing strategies with challenges posed by the emerging globalisation of higher education, the creation of the Pan-European business education market with harmonised structures of academic programmes and increased mobility of students and university staff.

In the research article, we described a holistic approach to proactive strategic management based on market-oriented view of business school services and the need for adequate response to external change. The conceptual model that we present in the article should enable managers to manage their business school processes in a way that should improve the market responsiveness of a school to competitive forces in an emerging global business education context. We propose an integrative approach to business school business and marketing strategy development, in which *all* key facets of strategy are integrated into a holistic market focused and socially sustainable model of business school *strategic adaptation* to external change. Through the process, university business schools in CEEC should properly restructure their key processes and, rearrange accordingly, their organisational model in a way that will increase their market-oriented academic capability for improved performance and relevant adaptation to new academic and social reality. In order to develop the capability for such strategic transformation, the university management context should also be properly aligned with new academic, institutional and market reality. Its key transformation objectives should lie in developing more responsive internal academic and managerial setting that would support innovative and entrepreneurially oriented and market focused adaptation of a university business school to more dynamic nature of external environment. However, without a deeper market understanding, deans (and also managers at the university level) will not be capable to develop adequate market-oriented strategies for defending the position of their schools in a competitive marketplace in which active faculty (and other institution resources) development, and more innovative and responsive management are key pillars for improving strategic ability of schools to contribute to the benefits of their key stakeholders in a society.

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SALES-MARKETING INTERFACE, ITS CONFIGURATIONS AND EFFECTS: THE CASE OF US, DUTCH AND SLOVENIAN B2B FIRMS

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Abstract: Firms understand and organize their sales-marketing interfaces differently. Relatedly, the marketing literature understands this relationship in several ways. For this reason, we conducted a qualitative study involving more than 100 managers, who either perform sales or marketing in US, Dutch and Slovenian B2B firms. Specifically, we identified four distinct interface configurations and highlighted what relative advantages or disadvantages firms exhibit in terms of interface dynamics or firm's strategic outcomes as related to their configurations. The comparison highlights that firms may choose a specific configuration that best matches their characteristics and business environment.

Keywords: sales-marketing interface, qualitative research, interface configuration

ODNOS MED TRŽENJEM IN PRODAJO, NJUNA KONFIGURACIJA IN UČINKI NA RAVNI PODJETJA: PRIMER AMERIŠKIH, NIZOZEMSKIH IN SLOVENSKIH MEDORGANIZACIJSKIH PODJETIJ

Povezetek: Odnos med trženjem in prodajo je ena izmed tem, ki v teoriji in praksi doživlja različne raziskovalne poglede in razumevanja. Tako trženjska teorija kot praksa v podjetjih se v organizacijskih in vsebinskih vidikih tega odnosa in povezav močno razlikujeta. Iz tega razloga smo izvedli kvalitativno raziskavo med več kot 100 managerji, bodisi s področja trženja ali prodaje, ki delujejov ZDA, na Nizozemskem in v Sloveniji v medorganizacijskih podjetjih. Pri tem smo identificirali štiri različne konfiguracije oz. oblike povezav med trženjem in prodajo in opredelili prednosti in slabosti le-teh z vidika strateških ciljev podjetja. Primerjava kaže, da ni enoznačnih rešitev in da podjetja razvijejo takšno konfiguracijo oz. obliko povezav in odnosov, v kateri se najbolj ujemajo tako značilnosti podjetja kot poslovnega okolja in dejavnosti, v kateri delujejo.

Ključne besede: odnos trženje – prodaja, kvalitativna raziskava, konfiguracije odnosov

1. INTRODUCTION AND RESEARCH PURPOSE

Recent studies (Piercy & Lane, 2003; Piercy, 2006) regarding the changing role of sales and marketing functions emphasize the importance of an effective and harmonious marketing-sales interface. In addition, marketing strategy research has highlighted how a smoothly functioning sales-marketing interface can facilitate strategic activities such as timely dissemination of market information, co-ordination of marketing activities, market responsiveness, and the creation, delivery, and communication of superior customer value (Cespedes, 1992; Day, 1994; Guenzi & Troilo, 2007; Kohli & Jaworski, 1990; Smith, Gopalakrishna & Chatterjee, 2006).

There is a constant debate among scholars regarding whether the two functions need to be separate or not; and how they should be organized to gain high efficiency. Some scholars have already suggested that marketing and sales may not always exist as separate functions and that the interface structure and the roles and responsibilities of sales and marketing functions may depend on firm's size, growth rate, products, industry, and organizational structure (Biemans & Makovec Brenčič, 2007; Homburg, Jensen & Krohmer, 2008; Kotler, Rackham & Krishnaswamy, 2006). Firms may therefore exhibit different marketing-sales configurations, which, in turn, may give rise to varied sales-marketing interface dynamics. These may be different, compared to what has been documented in the existing literature. Further, these various configurations may offer relative advantages and disadvantages to firms and may differentially affect firm's strategic outcomes such as its marketing proficiency, value delivery, firm responsiveness, and marketing consistency.

The purpose of this paper is to address (a) what different sales-marketing configurations may exist within business firms in the analyzed countries/ managers, and (b) what relative advantages / disadvantages different sales-marketing configurations are associated with in terms of interface effects or firm's strategic outcomes.

2. RESEARCH METHOD

We conducted a multi-national, multi-firm qualitative study in the US, the Netherlands and Slovenia. While we acknowledge the differences in the countries we sampled from in terms of economic conditions, national cultures, and overall business environments, we believe that combining the three-country samples helped us increase the number of informants in the study, as well as the variance and associated robustness of our data.

To gather a wide range of experiences and perspectives, we used theoretical sampling technique (Strauss & Corbin, 1998) and conducted semi-structured in-depth interviews with 101 managers from various industries, such as electrical products, industrial equipment, chemicals, electrical components, raw materials, electronics, IT, medical devices and engineering products. Our informants' firm sizes varied from 35 to more than 1000 employees and annual sales ranged from $5 million to $200 million. Informants, were selected from among marketing managers, sales managers, product managers, sales representatives and CEOs. Most informants were employed by their firms for more than three years and were conversant with the research topic.

The interviews were open-ended and discovery oriented (Deshpande, 1983), typically lasting between 1 to 1.5 hours. During the interviews we discussed the current organization of the marketing-sales interface, division of tasks and responsibilities, and firm outcomes. In each interview, we also talked about how the interface used to be structured in the past, whether there has been any change in the interface structure and other characteristics over time, if the interface changed, how it changed, and why the firm changed to its current marketing-sales configuration.

3. RESEARCH RESULTS

3.1 DIFFERENTIAL LEVELS OF RELATIONSHIPS BETWEEN MARKETING AND SALES: VARYING MARKETING- SALES CONFIGURATIONS

Our data show that not all firms have separate formal marketing and sales functions. Depending on firm size, industry and the nature of products and customers, firms organize their sales and marketing functions differently. Our analysis brought forth four different marketing-sales configurations: *invisible marketing, "sales in the driver's seat", distinct functional identity and sustainable symbiosis.*

Invisible marketing

In firms with such configurations, formal marketing department is absent and marketing activities are performed by the CEO and/or sales director. In such firms "marketing" is performed by specific individuals. For example, when the sales director has affinity for marketing, he/she allocates his/her own time between sales and marketing. A lack of a marketing department prevents such firms from thinking strategically; they remain in a constant transactional and mostly short-term oriented mode. Further, managers in these firms strongly believe that they are “doing marketing,” even though they lack the resources to create long-term strategic plans and programs. In such configurations, marketing is viewed as a luxury whereas sales orientation is embedded in firms’ strategic thinking.

Sales in the driver’s seat

This configuration represents an arrangement where marketing function is in a rudimentary stage of development within the firm. While the creation of a marketing function helps such firms to take the first steps toward more strategic thinking, marketing in such firms is highly influenced by the firm’s sales-driven culture. In these firms, marketing helps in sales function’s day-to-day activities. While marketing is still peripheral in its importance, its presence is acknowledged more when compared with the first configuration. In most cases salespeople view “marketers” as convenient suppliers of “marketing collateral” and nothing more.

Distinct functional identity

The third configuration embodies distinct sales and marketing departments, staffed by people with marketing and sales backgrounds. In such firms, marketing often serves as a hub from where information is distributed across different sales territories. Presence of established marketing and sales functions makes these firms susceptible to all the dangers and problems mentioned in the literature about *dysfunctional* marketing-sales interfaces (see Rouziès et al. 2005). While some firms manage to overcome these challenges and turn the marketing-sales interface into an effective and productive collaboration, some don’t, and therefore suffer from constant infighting between sales and marketing.

Sustainable symbiosis

The fourth configuration is where marketing and sales exist as separate, independent functions, yet they remain closely related and play complimentary roles. Such firms emphasize the *co-creation* of marketing strategies, with marketers inviting salespeople into the strategic process and using their insights to strengthen their marketing plans. Here, both marketing and sales functions view collaboration as essential to their day-to-day work and strategic development. This configuration seems to correspond most closely to the description of firms enjoying a constructive, harmonious marketing-sales interface, where mutual respect and information sharing increase the firm’s overall performance in the marketplace. Relationships between marketing and sales are synchronized and strategically driven in such firms.

3.2. LEVELS OF RELATIONSHIPS BETWEEN MARKETING AND SALES: LIMITATIONS VS. OPTIMALITY IN THE FOUR CONFIGURATIONS

Our data revealed that *sustainable symbiosis (*as we called the last stage/configuration) is not the ultimate and ideal configuration for all firms. Instead, our analysis showed that each of the configurations, which represent different structural arrangements of this interface, is appropriate for different types of firms. For example in *invisible marketing stage*, personal relationships among the firm’s employees determine the interface quality and efficiency. This interface remains very flexible, with short, transactional, and informal communication patterns. This allows firms to respond quickly to the changing needs of individual customers. Firms with this configuration do not seem to possess the awareness of broader market developments, how they may benefit from them, or how business environmental changes may challenge their business models. Such firms likely remain short-term focused and reactive in nature. In firms where sales is in the *driver’s seat,* it is marketing that performs strategic activities that sales might not have the inclination or capability to perform; such as creating a customer database, identifying purchasing patterns, or developing support materials. Such firms, thus, begin to attend to the long-term strategic issues. Here, marketing begins to make an effort to provide a systematic support to the sales group, and in many cases, salespeople start to appreciate the value of marketing input. Once again, these gains come at certain costs. As marketing starts to become more visible, salespeople, in some instances, may begin to perceive marketing as an emerging “threat” and stop sharing market information. Further, if/when marketers do not clearly exhibit their value; salespeople may view them as redundant and disregard their inputs. This sows the seeds for (future) discontent within this interface. Firms with *distinct functional identity* benefit from a mature marketing department that develops both the short-term (tactical) and long-term (strategic) plans. The marketing function also helps these firms assume a proactive stance and they achieve greater customer orientation, consistency in their marketing messages and product positioning. Since both functions possess a concrete understanding of their tasks, responsibilities, objectives, and goals, it is here that most of the marketing-sales conflicts begin to arise. The last configuration; *sustainable symbiosis,* embodies both functions harmoniously collaborating with one another with an aim to offer superior customer value. They constantly learn about the environment (Sinkula, Baker, & Noordeweir, 1997) and are able to proactively deal with the long-term changes and emerging trends in the industry environment. Similar to other configurations, this configuration can have some disadvantages, too, such as making managers lose their unique perspectives or lack of motivation to deliver opposing opinions for the fear of being perceived as a non-team player. Sometimes this high level of synergy may also inhibit creativity or innovativeness. For that reason organizational climate is a crucial factor for synchronization of both functions.

4. THEORETICAL CONTRIBUTIONS AND MANAGERIAL IMPLICATIONS

This research offers several theoretical and managerial implications. First, we identified four sales-marketing interface configurations which show varying degrees of associations between these two functions and also speak about their limitations and optimality. Second, our findings show how important it is to organize the interface that suits one's firm and industry characteristics. It further highlights that the sales-marketing interface may not always be contentious and that in each configuration, one may find certain benefits and disadvantages. Further, empirical research within sales-marketing interface is scarce and scholars have recently called for more work in this area (e.g. Kotler et al., 2006; Rouziès et al., 2005). We believe that our study responds to this call. Last, ours is the first study that explicitly investigates this interface in the context of business firms of various sizes, which represent various industries and come from three different countries.

From a managerial standpoint, our finding that each configuration has both, advantages and disadvantages, is important. Specifically, we point out the limitations and strengths of each of the configurations. Our findings further suggest that firms may maintain certain degree of flexibility within this interface so that they may modify their interface structure should the strategic need arise. Understanding the nature of different configurations may help managers to assess where their extant marketing-sales interface is placed on the configuration continuum and identify whether there is potential benefit to change the configuration based on the firm's overall strategy and resources. What we would suggest is that managers perform this assessment on an annual basis and try to identify the steps they would need to take to improve the efficiency and effectiveness of the interface. As such this overview may help managers to assess the costs and benefits of the changing nature of their sales-marketing interface and report these findings to the decision makers so that appropriate decisions may be made. We must also reemphasize here that the managers must be cognizant about how different configurations may differentially affect the various interface dynamics and firm's strategic outcomes. Whether they want to move forward or backward along the configuration continuum is a function of firms' organizational strategy and environmental factors. Our findings offer managers a starting point to begin such an investigation and insure that this interface is appropriately poised to help the firm sustain its market orientation.

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