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Special Issue

Evolution of Marketing Management in Croatia

Guest Editors

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Special Issue

Editorial

The theme of this special edition of the International Journal of Management Cases is dedicated to the Marketing management in the Croatian context. The field represents a dynamic and ever changing area of business management that encompasses activities of planning and executing the conception, pricing, promotion and distribution of goods and services in order to create exchanges that satisfy individual and organizational goals. Most of the elements of this Kotlerian definition are present through careful selection of the published papers. In this issue there are total of six papers that cover different but interconnected areas.

The first paper entitled "Marketing management from a different perspective" tries to present a rather critical epistemiological approach to marketing management. It makes us wonder about the success rate of marketing managers given the success and survival rate of new products that enter the markets in thousands each year. However, following that dim but realistic observation, quite an accurate analysis of the levels and degree of innovations in Croatian companies has been provided in the second paper under the title "Innovation activities in Croatia by regions". The third paper "Sustainability marketing strategies: examples of best practices in Croatia" presents an overview of new and fresh developments in sustainability marketing linked with the business application in Croatian companies. This is a new trend in marketing where ethical behaviour, sustainability, environmentalism and corporate responsibility join forces for the benefit of all stakeholders – a rather noble cause. The fourth paper "CSR Index as a Strategic Management Tool" penetrates deeper into that specific area presenting Corporate social responsibility application in a Croatian context. The next paper "Revitalizing Brand Cedevita" offers an insight into revitalization and marketing strategy of one of the most famous Croatian brands – Cedevita. The story is a showcase of marketing management at its best. The last paper "Establishing networks between knowledge society and universities: case of Bosnia and Herzegovina" examines the relationship between the knowledge society and universities in neighbouring Bosnia and Hercegovina. The results of this study are also applicable to the Croatian context because of the similar situation. Excellent education is a prerequisite and a good start for a future marketing manager as well.

At the end of this foreword we would like to thank all the contributing authors. We also wish to thank professor Nina Liszt our English language consultant who put great effort into editing and proofreading all the papers. Next we thank to Gianpaolo Vignali – Associate Editor who took care of all of the numerous technical details that needed to be done in order to publish this issue. Our special thanks go to Professor Claudio Vignali – Editor in Chief, founder and overall spiritus movens of the whole IJMC and CIRCLE.

Enjoy the reading!

Dr. Mirko Palić & Dr. Ivan Kovač

THE SHADES OF GREEN LIVING IN HUNGARY

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Abstract

The aim of the present article is to show the environment-related consumer behavioral patterns of the Hungarian society based on the results of a representative research. The authors' empirical study focused on determining the consumers' environmental awareness and mapping out the differences between their behavioral intent and actual actions. The authors present the results of the quantitative part of the research. In the study the authors differentiated four consumer segments on the basis of the NEP scale: the skeptics, the indifferent, the sensitive and the egocentrics. After a detailed presentation of the four segments, the authors highlight the differences between the actual behavior of the segments at home and on holiday, as well.

Keywords: environmentally conscious consumer groups, environmental consciousness, NEP, Hungary

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Introduction

One of today's global problems is our ever-growing raw material and energy consumption, driven by the expansion in household consumption. Raising awareness of the issue and increasing individual responsibility have been a point of focus for the last thirty years, further underlined by the 2008 economic crisis.

By now, the environmental consciousness of European consumers has indeed started to constantly grow, even if at a slow pace (NationalGeographics and Globescan, 2009). Pro-environmental behavior primarily manifests itself in actions like health-related consumption, paper recycling or reduced household

purchases (Cetelem, 2010). Thus the opportunity is now given for the post-crisis new economic equilibrium to be built upon conscious and responsible behaviors.

Yet the preferences influencing the establishment of the institutions fostering this process and related communications activities might be different for each country. In order to define these preferences, however, one must have exact knowledge of the fundamental mechanisms behind the characteristics of the country's consumption.

Literature overview

Becoming a conscious consumer and adopting an adequate behavior is a long and versatile process, during which the individual gets acquainted with consumer goods and services and learns how to behave under market conditions. Environmentally conscious behavior, accordingly, is a complex phenomenon, one of the aspects of which is 'pro-environmental activities' (Majláth, 2004). This behavior might manifest itself in one's active participation in environmentalist political activities, their participation in / support of environmental organizations or the fostering of environmentally conscious decision making in the workplace (Smith-Sabasto and D'Costa, 1995, Stern, 2000).

Characteristics of environmentally conscious consumption

The concept 'environmentally conscious consumer' has been defined in many ways. According to Roberts (1996), a consumer is to be considered environmentally conscious if they purchase goods and services which they believe to have a positive or a less negative impact on the environment. Meffert and Kirchgeorg (In: Nagy, 2005) suggested that environmentally conscious consumers be defined as natural persons and legal entities who take into account ecological impacts in their purchase decisions. Eco-conscious consumers realize that the development, production, distribution, consumption, use and even the disposal of any product places a heavy burden on the environment and causes additional costs. They strive to minimize these negative effects and additional costs.

Moreover, according to Meffert and Kirchgeorg (1993), eco-conscious consumer behavior might be accomplished in several different ways. The majority only considers a couple of factors, instead of taking advantage of all the opportunities. Meffert and Kirchgeorg (1993) identified five types of behavior which an environmentally conscious consumer might choose:

(1) Reducing the consumption of traditional goods, (2) adjusting demand – purchasing eco-friendly products instead of traditional ones, (3) consuming environmentally efficient goods, (4) participation in recycling, in separate waste collection, (5) environmentally conscious complaints or protests.

An important issue in green marketing is to determine the qualities, habits and actions characteristic for eco-conscious consumers (Straughan and Roberts, 1999). Studies usually attempt to describe such consumers using demographic categories, based on their commitment to the environment. They examine environmental consciousness by studying the individual's attitudes and actions. According to Paco and Raposo (2009), previous research projects used the following four groups of criteria to identify consumer segments:

1. demographic characteristics: age, gender, religion, marital status, education, workplace, income etc.

2. psychographic information: lifestyle, personality, motivation, values, attitude

3. behavioral characteristics: knowledge, product use, purchasing habits, brand loyalty

4. environmental characteristics: concern, perceived consumer efficiency, emotions, commitment, environmental consciousness, subjective norms, consumption of pro-environmental products, information search, willingness to pay extra, recycling.

Eco-conscious consumers tend to be characterized as follows: young, highly qualified urban female with middle-to-high income. Yet different studies sometimes yielded differing, or even contradictory, characterizations. Straughan and Roberts (1999) explained such differences by the formation and the constant changing and strengthening of environmental consciousness. Consumers' environmental consciousness varies from country to country and it is also changing with time, thus consumer characteristics are constantly developing, as well.

An advantage of demographic segmentation is its ease of use, yet psychographic variables provide a much stronger and thus far more useful characterization of the eco-conscious consumer (Straughan and Roberts, 1999). Even though there is indeed a significant relationship between demographic characteristics and eco-conscious purchasing behavior, these variables lack explanatory power, which is stronger for psychographic factors. From a marketing point-of-view, accordingly, one should prefer psychographic or mixed (demographic and psychographic) segmentation models.

It is rather hard to choose the right segmentation criteria because a number of segments can not be found in the consumer market in their original form (Paco and Raposo, 2009). Of course, this choice heavily depends on one's research objectives, the characteristics of the market in question and the segmentation methods chosen.

Given that the objective of the present study is the exploratory examination of Hungarian consumers' environmental consciousness, segmentation was based on environmental attitudes - on consumers' views about the environment - which the authors chose to measure using the New Ecological Paradigm (NEP) scale (Dunlap et al., 2000).

Research results

Research methodology

The study focused on exploring the level of information of the Hungarian population, their environmental attitudes, the behaviors thought to be important along with the extent to which they are realized and the motivation behind these behaviors.

Data collection was carried out between May 15 and May 31, 2010. Total sample size was 803 respondents, representative of the entire population (with regard to regions, type of settlement, age and gender). All interviews were conducted in person. Data was analyzed using the SPSS software suite.

The questionnaire contained 21 questions, eight of which were about demographics. Questions were focused on exploring respondents' concerns and level of information about the environment and their pro-environmental behaviors and environmental attitudes.

Besides assessing the importance of environmental issues and the population's level of information, we also wanted to know the extent to which respondents were concerned about their environment and how knowledgeable they believed themselves to be about the topic. Next, we inquired about their actual actions. We were also interested in whether the motivations for these actions were of an ecological or a material nature and which actions the population consider important and feasible.

Beyond introducing pro-environmental behaviors, the present study also provides a characterization of the groups we distinguished by their environmental attitudes. The purpose of clustering was to identify the groups upon which a critical mass of support for change could be built.

General characterization of the sample concerning pro-environmental behavior

Respondents considered quite a number of pro-environmental behaviors highly important. The five behaviors mentioned as most important were separate waste collection, reducing energy consumption, purchasing local products, using public transportation and choosing environmentally friendly accommodations. Comparing importance vs. realization for each action, however, yields significant differences (see Table 1).

The actions achieving the highest realization figures were: switching off the lights (91.41%), bringing their own shopping bag (73.97%), and turning off the tap (71.86%), separate waste collection (59.78%) and buying energy-saving bulbs (58.53%).

These are the actions which not only have a considerable effect on our everyday lives, but also are the actions we hear of most. At the same time, nonetheless, these are the ones requiring the least effort, too. The findings of our present study are in line with international research results (NationalGeographics & Globescan, 2009). Consumers have already discovered those behaviors which are easy to perform and the realization of which might also be motivated by financial savings. All positive changes so far were relatively easy to achieve. Car use has not yet been reduced and households have not yet been restructured, either. Changes up to this point have not required financial sacrifice and have not caused any inconvenience.

Environmental responsibility, however, is not the only motivation behind the aforementioned actions. The qualitative phase of our study suggested that respondents were driven by economic reasons - financial savings- rather than environmental consciousness. This suspicion is also confirmed by the data in Table 2.

Separate waste collection and the purchase of eco-friendly detergents are indeed motivated by environmental reasons. Moreover, the pro-environmental alternatives concerning consumers' vacations are also preferred – even though only by a minority of respondents – because of environmental considerations (choosing eco-friendly accommodations and consuming locally produced food).

Demographic characteristics, in contrast to motivations, demonstrated larger differences for these questions. There are weak significant differences by gender, primarily for housework-related items. Relatively more women pay attention to bringing their own shopping bags and to washing at a lower temperature. The relationship is the strongest in the case of washing, with a Cramer V value of 0.262. The difference was relatively large for tooth brushing, as well – it is more typical of women to turn off the tap.

Considering age, the elderly generation -65 and above- proved to be more active than younger people in almost all cases. There is a significant difference in consuming home grown food products, where Cramer V = 0.175, thus the relationship is a weak one. The older the respondent, the less frequent they use rechargeable batteries. Most probably, this is due to younger generations' higher consumption of electronic products.

Concerning place of residence, environmentally conscious behaviors were less characteristic for respondents from Budapest. The most significant differences were detected for home grown food consumption and personal transportation habits. The share of those consuming home grown food products was far above the average (42.47%) amongst respondents living in townships or villages (70.20%) and the same holds true for holidays by train. In spite of the presence of significant differences, all other variables indicated weak relationships only.

Differences were also significant by level of education. The higher the level of education, the higher the frequency of eco-conscious behaviors, with college graduates scoring the highest. The consumption of home grown food, on the contrary, was most characteristic for those with the lowest levels of education. Vacation-related variables yielded surprisingly low figures for those with a university degree.

Considering respondents' income, a picture very similar to the ones presented above unfolds. The behaviors we examined proved to be more characteristic of those with either high or low earnings than of middle-income respondents.

Consumer groups and behavior patterns distinguished by their ecological worldview

Beyond exploring the various manifestations of eco-friendly behavior, our study also aimed at identifying some further characteristics and behavior patterns of the consumer groups we distinguished by environmental attitudes. A detailed review of our findings follows below.

Respondents' ecological worldview was assessed using the New Ecological Paradigm scale (Dunlap et al., 2000). According to its theoretical framework, the scale measures individuals' environmental concern along five dimensions, namely the reality of limits to growth (limit); anti-anthropocentrism; the fragility of nature's balance (balance); the rejection of exemptionism (anti-exemptionism) and the possibility of an ecocrisis (ecocrisis).

The fifteen items distributed into three – instead of the expected five – groups (comprehensive characteristics). Principal Component Analysis, with Varimax rotation, was used to combine variables. Data reduction retained 51 percent of the original dataset which is acceptable in the field of social sciences. This technique produced three factors (see Table 3) along which the fifteen NEP items got combined, namely:

1. Skepticism towards technology,

2. Concern about the disastrous consequences of upsetting the balance of nature,

3. The right of man to resources.

Based on the resulting factors, we carried out a hierarchical cluster analysis using Ward's method to partition our sample of respondents. Our objective was to create groups from the sample which are more homogeneous concerning environmental attitudes. From amongst the three-, four- and five-cluster solutions considered, the 4-cluster variant was chosen based on the analysis table and cluster centroid and standard deviation figures. The first cluster consisted of 223 respondents, while the second, third and fourth had 130, 245 and 184 members, respectively (see Table 4).

The four clusters are: Skeptics, Indifferents, Sensitives and Egocentric pushers.

Skeptics think that our planet does have the necessary amount of resources, but mankind lacks the knowledge needed to handle the problem. Consequently, members of this group are worried by these issues.

Indifferents have faith in technological progress and believe that it is the answer to environmental problems, as well. A potential ecocrisis and the exhaustion of resources, in their opinion, might be prevented by employing the appropriate technical solutions. They are hardly worried and have as good as no understanding at all of how complex an issue this is. They are hardly worried and have practically no understanding of how complex an issue this is.

It is the Sensitives who have the most serious concerns. They consider the exhaustion of resources and the upsetting of nature's balance a very real threat of the future. They do not believe that human creativity and technological improvements would be sufficient to contain the problem. They attribute rights to all living creatures very similar to those attributed to humans.

The Egocentric pushers, just like the Sensitives, consider the narrowness of resources and the fragility of nature's balance to be real issues, yet they have faith in human knowledge. They firmly believe that technology can provide the solution to these problems, thus they are less worried than the third or the first group.

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All four clusters appear to be balanced by age and gender, cluster averages varying around the sample average. Place of residence, however, showed significant differences. Budapest residents are under-represented in the first cluster. Those living in county towns represented a higher share in the groups of Sensitives and Egocentric Pushers, while urban respondents were most characteristic for Indifferents, with only 14 percent of them belonging to Egocentric Pushers. The majority of those living in townships and villages were part of the first cluster.

Concerning all other demographic variables, the four clusters very much resemble the sample, without any significant differences.

Skeptics

Social relationships and values are of special importance to the first cluster. Their most important values are the sense of belonging, good relationships with others and recognition. To them, the feeling of creation was the least important.

Environmental conservation is of average importance (M=4.41) to the members of this cluster and they feel they are the least well-informed about environmental matters (M=3.03).

They can be considered a consumer group of moderate eco-consciousness. The avoidance of littering and the consumption of local products were their most typical behavioral intention items. A possible explanation is that this is the cluster representing those living in villages that have the highest proportion in the sample and have better opportunities for growing their own food or buying local products.

Their actual behavior is dominated by the simplest actions like bringing their own shopping bag or switching off the lights. They tend to be motivated by economic reasons, even in consuming home grown food products.

An important point about their consumer attitude is that they pay attention to buying products which do not harm the environment, or other people. This is the group for which risk aversion is most typical. Their health consciousness is just about the average, but they are concerned about the harmful substances in food products and about drinking-water quality. Skeptics are the least price conscious segment.

Indifferents

The sense of belonging was the most important value for this cluster, too, but from a slightly different aspect as for skeptics. The feeling of safety and self esteem were emphasized values, as well, thus indifferents' approach to the sense of belonging is of a more individualist nature.

Environmental protection is least important to this group from amongst the four clusters (M=4.08) and at the same time, they feel they are the least well-informed about environmental matters.

Being the least eco-conscious cluster, the only important eco-friendly action included in indifferents' behavioral intention is the avoidance of littering. The use of public transportation and environmental conservation during holidays / excursions is least important to them as compared to the other clusters, and their commitment is the lowest to any pro-environmental activity, as well. Neither economic reasons, nor environmental conservation motivates them for such actions. Interestingly enough, they pay more attention to how much water and energy they consume during a vacation as compared to the other three clusters.

Consciousness, however, is hardly a part of their consumer attitude at all; they are the least concerned about the amount of harmful substances in a product. This segment, however, reported the highest level of health consciousness, accompanied by a low level of risk aversion and high price consciousness.

Sensitives

Considering this cluster, the importance of environmental conservation became apparent when exploring their values. Apart from environmental conservation, their most important values were self-actualization and the sense of creation. Entertainment and the enjoyment of life were least valuable to them.

This is the very group out of the four for which environmental protection is the most important (M=4.7) and they think they are moderately well-informed about the topic.

Their behavioral intention already includes some less trivial activities. Besides trying to avoid littering, they also strive to reduce the amount of their household waste and emphasize the purchase of locally produced goods. Considering actual behavior, this segment is the one that most frequently performs pro-environmental actions. Economic considerations and eco-friendliness are both relevant motivations for their environmentally conscious behaviors. Environmentalism, rather than financial gain, is the reason for them turning off the tap when brushing their teeth, as well.

They are rather consistent about these things when in their home environment, yet during their holiday, they are inclined to become less careful about their water and energy consumption and waste disposal.

Besides trying to keep well-informed about environmental matters, this segment is also particularly interested in health-related information. They are highly risk averse.

Their consumer attitude also confirms that this cluster, along with egocentric pushers, features the most conscious consumers. Their price-consciousness, however, lags behind that of indifferents.

Egocentric pushers

The enjoyment of life and the sense of creation are most valuable to them. They give the least importance to the sense of belonging, to good relationships with others and to safety.

Considering the importance of environmental protection, they scored above the sample average (M=4.6). Cluster members provided optimistic answers to all questions; they are the ones who believe themselves to be more well-informed than the others even though their level of information is only moderate. They reported periodicals to be their most important sources of information.

The fact that this segment has the strongest faith in man's talents and that they believe technological development to be the solution to this crisis is clearly reflected in their behavioral intentions. Replacing their car for one with a lower emission and purchasing eco-friendly products is important to them. Just like in the case of sensitives, the avoidance of littering is of no special importance to them, either.

The consciousness reflected in their actual behaviors is similar to that of the third cluster, too. When in their home environment, they mostly prefer „visible" activities by which they can demonstrate to the neighborhood their commitment to such matters. They pay less attention to what remains hidden to others, like water and energy consumption. Similarly, visible activities dominate their vacation, as well: separate waste collection, consumption of locally produced goods. An interesting specialty of this cluster was volunteering during vacation time.

Another indication of their level of information is that they do take into consideration which company a given product was manufactured by. Their rejection of irresponsible corporations is stronger than the sample average.

They are, however, less bothered with their health than the other three clusters. They do gather relevant information, they even read food labels but they tend not to be worried all that much. Their risk aversion and price sensitivity is moderate.

Due to their differing ecological worldviews and other characteristics, the above groups need to be approached by different communication and support strategies in order to promote desired behavior patterns.

Limitations of the research and future directions

One limitation of our quantitative study was that we primarily focused on the internal factors of behavior, not taking into account external factors like fiscal incentives, the regulatory system, the institutional environment and social practices. It would be advisable to include these factors in the analysis and to conduct a longitudinal study on the basis of existing results.

Furthermore, we have come across several topics during the research project the exploration of which might contribute to developing a better understanding of sustainable consumption issues. Questions related to the phases of the process of commitment and to the location-specificity of pro-environmental behaviors might be worth paying special attention to, as the need for further investigations into these matters has already been confirmed by our previous qualitative studies, as well.

Table 1 - Importance figures and realization percentages for environmentally conscious actions

	Importance	Realization (%)
Separate waste collection	**4.59**	**59.78**
Reducing energy consumption*	**4.45**	**91.41**
Purchasing local products**	4.24	42.47
Using public transportation instead of a car	4.01	37.24
Choosing an eco-friendly holiday accommodation	3.71	8.72

*based on switching off the lights, **consuming home grown food

Source: Authors' compilation

Table 2 – Motivations of actual behavior

Yes, it is characteristic of me	Financial reasons		Environmental reasons	
	N	%	N	%
I eat home grown food	267	33.25	113	14.07
I use eco-friendly detergents	84	10.46	192	23.91
I bring my own shopping bag	497	61.89	265	33
I only use a car if it is absolutely necessary	219	27.27	105	13.08
I use rechargeable batteries	196	24.41	124	15.44
I opt for low-temperature washing	308	38.36	118	14.69
I collect waste separately	163	20.3	406	50.56
I turn off the tap when brushing my teeth	519	64.63	179	22.29
I switch off the lights when leaving a room	674	83.94	234	29.14
I buy energy-saving bulbs	413	51.43	210	26.15
I take the train for holiday travels instead of driving or flying	70	8.72	25	3.11
I choose eco-friendly holiday accommodations	23	2.86	41	5.11
On my vacation, I do not buy souvenirs which could endanger the local flora and fauna	23	2.86	122	15.19
On my vacation, I buy food from the locals instead of international retail chains	35	4.36	61	7.6

Source: Authors' compilation

Table 3 – Results of Principal Component Analysis based on the NEP scale

		Factors		
		1	2	3
NEP 12	Anti-anthropocentrism	.795	.110	.098
NEP 14	Anti-exemptionism	.773	-.006	.191
NEP 8	Balance	.754	.129	-.038
NEP 2	Anti-anthropocentrism	.743	.110	-.174
NEP 4	Anti-exemptionism	.692	-.087	-.237
NEP 10	Ecocrisis	.546	.271	-.182
NEP 13	Balance	.080	.748	.094
NEP 15	Ecocrisis	.105	.742	-.020
NEP 3	Balance	.086	.701	.146
NEP 5	Ecocrisis	.185	.605	.210
NEP 9	Anti-exemptionism	.028	.510	.020
NEP 1	Limit	-.109	.324	.302
NEP 7	Anti-anthropocentrism	.087	.156	.767
NEP 6	Limit	.346	.000	-.712
NEP 11	Limit	.026	.439	.487

Source: Authors' compilation

Table 4 – Cluster centroids and standard deviations for the four-cluster variant

Ward Method		Skepticism towards technology	Concern	The right of man to resources
Skeptics	Mean	0.269	0.228	-0.953
	N	223.000	223.000	223.000
	SD	0.753	0.706	0.857
Indifferent	Mean	0.087	-1.597	-0.197
	N	130.000	130.000	130.000
	SD	0.664	0.641	0.904
Sensitives	Mean	0.575	0.607	0.731
	N	245.000	245.000	245.000
	SD	0.871	0.567	0.628
Egocentric pushers	Mean	-1.161	0.068	0.321
	N	184.000	184.000	184.000
	SD	0.602	0.678	0.572
Total	Mean	-0.002	0.006	0.000
	N	782.000	782.000	782.000
	SD	0.999	0.987	1.001

Source: Authors' compilation

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MARKETING MANAGEMENT FROM A DIFFERENT PERSPECTIVE

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Abstract

The purpose of this paper is to provide a theoretical as well as empirical insight into the state of marketing management in general at a present time. Following the line of marketing development it is not always clear what is the measure of its contribution towards business competitiveness and success. In this paper the theoretical literature review of marketing development and domain has been incorporated into the contemporary extremely turbulent and complex context. As environmental variables of markets and society become more and more unpredictable, epistemological arrogance was tried to be avoided in reviewing the role of marketing management. The paper does not offer easy solutions or guide to be implemented but rather raises some questions that should be answered prior to understanding the marketing application in globalized and ever changing market environment.

Key words: marketing management, marketing theory, new product introduction

Marketing management at crossroad

Marketing is a complex endeavour. Markets are changing at unprecedented speed and in unpredictable ways. The only certainty is that nothing is certain. The multitude of media, competitors, channels of distribution, and marketplace clutter make it a real challenge to place a specific product or service successfully on the market (Gummersson, 2002). Marketing has become a truly dynamic, socially embedded process that can be linked to the complexity theory (Wollin & Perry, 2004). Seth, Gardner & Garrett (1988) identified twelve main schools of marketing thought. Wollin & Perry (2004) argue that the two most influential among them are the managerial and the exchange schools. In combination, they make up a common definition of marketing management as the "process of planning and executing the conception, pricing, promotion and distribution of goods, ideas and services to create exchanges that satisfy individual and organizational goals" (Kotler, 2000). Technological development and globalization have brought up an unprecedented level of commercial opportunity but also the unprecedented level of competition for the companies. Such dynamics had a strong impact on development of marketing as a discipline. The application of marketing in business practice has been quite extensive and branched out toward different specializations as can be seen from the Figure 1. Indeed one has to ask what is the theoretical connection among some of the different "marketings" mentioned in the table. Marketing scholars have long searched for the "unified theory" of marketing that would better explain every aspect of it and enable us to understand and predict behaviour and development of marketing as a science. The idea is similar to the "Theory of everything" or the "Final theory" in physics which represents an idea that one model/theory could explain and link together all the known physical phenomena, and predict the outcome of any experiment that could be carried out in principle (Hawking, 1988). However, there is at least one important difference between physics and marketing. In physics it is easier to determine characteristics of a system, and then to focus on the important system's variables and to measure them or describe them through experiments.

Figure 1: Specializations, applications and branching of marketing

Anti-Marketing	Family Marketing	Retro-marketing
Authenticity Marketing	Geo-marketing	Reverse Marketing
Buzz Marketing	Grass Roots Marketing	Scarcity Marketing
Cause Related Marketing	Green Marketing	Sensory Marketing
Chrono-marketing	Guerrilla Marketing	Situational Marketing
Co-Marketing	Holistic Marketing	Slow Marketing
Community Marketing	Interactive Marketing	Social Marketing
Convergence Marketing	Knowledge Marketing	Societal Marketing
Contextual Marketing,	Life Event Marketing	Solution Marketing
Counter Marketing	Loyalty Marketing	Stakeholder marketing
Creative Marketing	Macro Marketing	Stealth Marketing
Cult Marketing	Maxi Marketing	Street Marketing
Customer Centric	Mega Marketing	Sustainable Marketing
Marketing	Micromarketing	Symbiotic Marketing
Database Marketing	Multilevel Marketing	Time Based Marketing
Eco-Marketing	Multi-Sensory Marketing	Total Relationship
Emotion Marketing	Network Marketing	Marketing
Empowerment Marketing	Neural Marketing	Trade marketing
Environmental Marketing	Niche Marketing	Trend Marketing
Ethnic Marketing	Non Business Marketing	Tribal Marketing
Ethno-marketing	Nostalgia Marketing	Turbo Marketing
Entrepreneurial	Olfactory Marketing	Undercover Marketing
Marketing	One-to-One Marketing	Value Marketing
Event Marketing	Permission Marketing	Viral Marketing
Expeditionary Marketing	Radical Marketing	Yield Marketing
Experience Marketing	Real Time Marketing	
Exponential Marketing	Relationship Marketing	

Cova, B., Badot, O., Bucci, A. (2006): „Beyond Marketing: In Praise of Societing", Working Paper, April 2006, www. visionarymarketing.com

Most of the well known economists, many of whom won the Nobel Prize, tried to measure and find econometric theories that will describe economic behaviour of large systems such as different industries, consumer groups or whole countries. For example the econometrist Robert Engel won Nobel Prize for complex statistical method called GARCH, even though nobody ever tried its application or proved its worthiness in the real word (Taleb, 2009). Even Samuelson, yet another Nobel Prize laureate in the foreword of his Economy states that economy is not an exact science. He wrote that it is not even possible to exactly predict GDP for the next year any more accurately than meteorologists can predict the weather for the next week. Economists have to reduce the system complexity in order to be able to calculate it in their predictions and calculations. However, such reductions make their calculations less accurate and more prone to risk and uncertainty. For example, economists assume that all individuals (and companies) will behave in a rational economic way. Marketers have known for a long time that it is far from truth. The whole conception of brand equity is based on irrational and/or emotional consumer behaviour. If consumers would tend to behave rationally the premium brands would cease to exist. Why then do contemporary marketers try to use quantitative tools whose main purpose is to level everything down to statistical average? Marketing is not Gaussian by nature. It contains a lot of extremes that cannot be well described by conventional statistics and normal distribution. Modern marketing in a globalized context is more about "winner-takes-all" where the average of a few huge winners and a lot of losers would produce false environment description. The globally successful brands take huge market share and thousands of other competitors fail. A parallel can be drawn to Hollywood and the probability of a success of becoming a movie star and winning the Oscar. There are a few dozen planetary famous movie stars in Hollywood and several hundred thousand "wannabe" actors whose looks, skills or talent might be no worse than those of the actors who had made it. In the meantime the "wannabes" are waiting for their lucky brake while waiting tables, chauffeuring, cutting grass and doing other "temp jobs".

For most of the actors who become successful their acting skills usually had little to do with it. Some of them were not even educated as actors. Could similar reasoning be applied to marketing managers?

According to the Mintel report (GNPD, 2007) in 2006 there was 182,000 new packaged goods products introduced in 49 monitored countries worldwide and 105,000 of them belonged to food and drink categories. That accounts for approximately 300 new products per day! How many of those products will survive the first few years on the market? How many of those brands will be true "stars" and take globally significant market share? What are the chances for new Coca-Colas among them? Branding "guru" Keller (2008, p. 36) wrote that "by year 2000, an estimated 30,000 new consumer products were introduced in the United sates at a failure rate estimated around 93%. Given the millions of dollars spent on developing and marketing a new product, the total failure cost was conservatively estimated by one group to exceed $20 billion." It seems that the success rate of new brands/products is similar to a chance of the author of this paper to become a movie star if he decides to relocate to Hollywood and pursue such a career path. In the light of such revelation how come marketing managers are so confident about their skills? Why is their success rate so low and are they aware of it? Do they know that the odds of creating a new global brand such as Coke or Nike between 150 or 200 thousand new products a year are lower than the odds of winning a jackpot considering a regular slot machine (that have only one virtual stop and uses value of 32 to process RNG generated sequence where the chance of lining all three jackpot images on all three reels) would be 1 in 32,768.

There are several elements to investigate in order to shed more light to the story. First, there is no coherent and logical general marketing theory. Many marketing academics are searching for the model that would best explain the marketing theory. However, the fact is that marketing in the real word is advancing faster then its academic discipline (Figure 1) in the offices of the professors and in their books. Perhaps being aware of that Kotler proposed a "marketing" solution for the problem with its concept of "Holistic marketing" (Kotler & Keller, 2008, p.20). According to the holistic concept marketing is everything. Actually, those authors "integrated" relationship marketing, integrated marketing, internal marketing and performance marketing. Some other authors could choose some other important elements or forms of marketing form Figure 1 and integrate them into their "holistic vision". However, there is not a valid theoretical explanation for such a concept except that classical "integrated marketing" approach based on McCarthy's marketing mix is well outdated. Since some other concepts of marketing become equally (or more) valid and promoted thus they become included into the new holistic concept. That is a rather loose structure bound by no obvious coherent law. For example, the Relationship marketing grew in popularity during the last two decades but it is best suited for brands that have high market share on developed markets. What would that mean for 182,000 new packaged products in year 2006? How could they focus on nurturing long lasting relationships with existing customers? Most of them need fast penetration on their markets and focus on winning new customers. Nurturing comes later. It is a strategy for leaders and leaders are scarce if taking into account the whole observed population. It is a historical concept taken from the time when craftsmen knew their customers and their needs well and on a personal basis. Owing to the development of technology large companies could use CRM systems in order to get to know their customers up close and personal as well. But it is by no means a great theory of marketing. It is no wonder that from the lack of deeper understanding of marketing and oversimplification of different environmental variables and influences, marketing education suffers from epistemic arrogance. Expensive graduate schools are producing thousands of MBA-s that take managerial positions in companies confident that they have learned how to manage marketing (among other things). Most of marketing managers rarely even consider the statistical odds (even though they do not matter much in the real life environment), such as survival rate of new products that can be expressed by the following equation based on the hazard rate model where likelihood function for the product/brand i which could be observed on the market into the tith year:

Where the indicator variable $\square i$ takes the value one if the product i is present on the market during the tith year and zero if the product i exits the market during the tith year (Min et al. 2006). If they did, they would be less sure of the success. Managing existing or launching a new product/brand involves many uncertain elements and it is therefore not surprising that many products fail quickly. Marketing literature and research mostly celebrate the successful brands focusing on their stories which may in turn give a

distorted picture of the prospects of new products (Asplund & Sandin, 1999). Moreover, such successful stories are looked through the prism of platonic confirmation – researchers look retrospectively for instances that confirm their (common) beliefs or models and find those while ignoring the instances that do not fit. They anchor around certain assumption, around a certain sterile model and it psychologically affects their reasoning. From the Figure 2 it can be seen how theoretical assumptions on which different marketing models are built differ from the empirical observations in "the real world". Assumptions are dangerous as they exclude the variety of variables that can affect the end result. In marketing we do not understand contribution of different variables. Sometimes there is a "butterfly effect" and small effects of different not obviously important factors might through time amount to strong impact on a company or its market conditions.

Learning should come from success stories but also from mistakes. It is cheaper to learn from other's mistakes than from one's own says an old Croatian folk wisdom. Marketing managers and companies are not immune to the blind spots. What they do not know surprises them and what they don't want to know, kills them (Gilad, 2011). A common example represents too narrow a focus on competitors and customers while missing the greater picture where the business model might change completely due to the technological advances. The main competitor of the Postal service is not another mail delivery company but rather (in more or less historic order) a telegraph, telephone, fax, mobile phone, internet and e-mail. In the Old days a person who wanted to communicate to distance had to write down and send the message via classical mail. Today there are many better, faster and more convenient options. Kodak, the renowned producer of films, couldn't fight against advances that led to worldwide application of digital cameras that do not use film at all. The products they developed in order to beat the competition were swept out from the market in a blink of an (technological) eye.

That is why classical mathematics does not apply in marketing. Winner-takes-all system means that 2 + 2 has to produce more than 4. Everybody can do 4. That is the rational solution taught throughout our education. The true success multiplies itself beyond expectations and brings about synergies whose magnitude could not be predicted at the beginning.

Instead of conclusion

In the light of a reasoning presented in this paper the main question is how applicable is marketing management and how important is it for the competitiveness and success of a company? In which way should it change in order to advance? Different researches point towards connection between marketing orientation of a company and its success (Palić, 2008). The more competitive and turbulent markets the more marketing oriented companies should be in order to survive. However, this brings up another paradox! In a time when most companies were not marketing oriented (perhaps they were product oriented at the time) the one that would apply marketing concept would tend to gain significant competitive advantage from it. As more and more companies applied marketing orientation its contribution toward competitive advantage of a particular company diminished. Today marketing is a "must" and since everybody is doing marketing its effectiveness is decreasing in relative terms (Palić et al., 2010). Marketing managers are educated on the same principles all over the world and they use the same tools, same SWOTs, BCGs, PESTs, CLVs, CRMs, etc. Therefore, as a result of the now prevailing conventional (marketing) thinking and procedures their productivity is declining. A large number of innovative brands and companies that are successfully taking on the market today are really not a result of a planned marketing effort but rather a product of creative thinking, advances in technology, human emotions, rage, or even pure luck. Marketing success is often a product of entrepreneurial intuition rather than an analysis of market research data. However, in larger and organized systems marketing managers are important factors for lowering entropy of an organization. They often represent marketing bureaucrats who take care of administrative procedures undertaken within marketing departments in organizations. Marketing managers in large companies do administrative work often by coordinating outsourced marketing activities such as market research, creative solutions & advertising, events, preparing reports and so on. Also their role is often to be the prophets that preach across the organization about the customer being the God, or ideological police that remind other employees of politically correct thinking such as "customer always being right".

Standardized marketing education produces standardized output consistent with the guidelines for best practices and quality control. The same standardized products (e.g. marketing managers) have trouble behaving uniquely and creatively in a world where differentiation is conditio sine qua non. They use the same vocabulary, the same tools and think alike. Given the success rate of a new products as well as the survival rate of companies - something has to change.

Figure 2: Example of theoretical assumptions vs. Empirical observations in marketing

	Theoretical assumptions used in different models	Empirical observations in "real world"
Actors & relationships between them	• Actors are independent • Anonymous, static market exchange is the norm • Organizational units have distinct boundaries • Actors search for information that corresponds to their goals • Each market transaction has a separate exchange episode as the norm	• Actors are interdependent • Dynamic interaction between well-known counterparts is the norm • Organizational units' boundaries blurred due to alliances, joint ventures, logistics partnerships, technical partnerships, co-operative development and network-type organization • Actors do not search and exploit all available information. There is interaction between goals and means • Each market transaction has one episode interaction over time due to technical adaptations, commercial adaptations, financial adaptations, social adaptations
View on value creation & innovation	• Value creation and innovation are the supplier's responsibility • Distributors & other intermediaries do not engage in value creation and innovation except in time & space utility • End users do not engage in value creation and innovation. They just consume what others have provided	• Value creation & innovation are responsibility of directly and indirectly related companies. • Distributors & other intermediaries highly involved in innovation and value creation • End users do not just consume they also change the nature of the offering and actively take part in value creation
View on the exchange object	• Easy to identify and separate out (mostly tangible objects that can be transported and inspected prior to delivery)	• Important aspects of the offering are embedded in the exchange process. They are intangible and difficult to separate out (e.g. brand, reputation, service, interactions)

Hakansson, H., Harrison, D., Waluszewski, A., editors (2004): Rethinking Marketing: Developing a new understanding of markets, Wiley, Cichester, England, p. 6

The executive marketing education has to be less structured. It has to offer fewer answers and ask more questions. Marketing managers should learn the odds of their business and it is only then they would start to think independently out of sheer fear. They should learn about things that they don't know anything about and they should also learn that some of the things they know are actually wrong. They should spend more time among customers than on meetings. They should learn how to observe empirically instead of using theoretical sterile mathematical models which, with their simplifications, are far from the complexities of a real world. They should question first and pose as experts later.

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INNOVATION ACTIVITIES IN CROATIA BY REGIONS

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Abstract

The objective of this paper is to investigate whether there are regional differences in innovative achievements (level of innovation activities) of enterprises in three regions in the Republic of Croatia at NUTS II level. We are setting up a hypothesis that enterprises in various NUTS II regions differ according to the level of innovativeness. The purpose of this paper is to analyse basic indicators of innovativeness of enterprises by Croatian NUTS II regions in order to enable better understanding of innovativeness characteristics of enterprises by region, to be used for further analyses and for making strategic decisions on regional development. The paper will try to establish whether there are regional differences regarding the structure of introduced innovations by enterprise size, whether there are regional differences between enterprises regarding results, i.e. regarding the effect of introduced innovations, measured by the share in total turnover coming from new products, as well as by objectives in introduction of product and process innovations. The analysis is based on the results of the survey on innovation activities of enterprises in the period from 2006 to 2008 carried out by the Croatian Bureau of Statistics.

Key words: innovation activities, marketing, Croatia

Introduction

In the contemporary, highly competitive business environment, a possibility for continuous generation of innovations is a significant source of competitive advantages (Subramaniam and Youndt, 2005; Lin et al., 2006; Martinez-Ros and Orfila-Sintes, 2009). It is necessary to emphasize that the value and importance of innovation activities increases daily because they strongly influence the economic growth and development. In the conditions prevailing in the modern businesses, innovation activities are considered as the key driver for success in business operations, as well as for the overall economic development. Consequently, it is possible to conclude that innovations are a necessary precondition for creation of a competitive edge and for survival of enterprises, but also that they present a very high risk, because they require large financial and human resources (Urban & Hauser, 1993). Many previous surveys indicate that lack of knowledge and skills is a large problem and obstacle for innovations (Mohnen and Roller, 2001) and emphasize the human capital as an important factor for innovations. Therefore, they stress the knowledge of employees not only in research and development but in all enterprise functions as well (Leiponen, 2005).

Also, many surveys show that employee knowledge and skills have effect on increase of the enterprise profit (Leiponen, 2000). Importance of cooperation in research and development steadily increases with increasing complexity of innovation risks and expenditures (Coombs et al., 1996; Hagedoorn, 2002; Nooteboom, 1999). Enterprises involved in innovation processes are aware of a need for establishing cooperation in research and development, as in this way they get knowledge which cannot be generated within their establishment. Also, cooperation with other enterprises and institutions in research and development is necessary because it enables usage of external resources. Accordingly, it offers a possibility for efficient transfer of knowledge, exchange of resources and organisational learning (Becker and Jurgen, 2004).

Innovations can be classified in two large groups: incremental and radical. Incremental innovations are improvements of existing products and processes in an enterprise, while radical innovations are based on deeper changes, often resulting in knowledge derived from research and development activities. This second type of innovations leads to entirely new products (pez-Mielgo, NuriaLo´ et al 2009). Product innovation means improvement of characteristics of a new product or a service, while process innovation means applying new or enhanced production process, product delivery or supply mode. Although there are significant differences between innovation of products and processes, Martinez-Ros (1999) stresses the point that they are closely related. Richstein and Salter (2006) define process innovation as a new element being introduced into organization's production or service operations, meaning that innovation process is connected with introducing new machines, improvements in the production process or changes in the production process. On the other side, management of innovations is defined by implementation of new management methods and new processes which are moving away from usual norms (Birkinshaw and Mol, 2006). However, management of innovations and process innovations should be observed separately, because process innovations are based on technologies while these others involve coordination of human resources only (Edquist et al 2001).

One of the goals set in the Lisbon strategy is the development of regions and regional economies, where innovation plays an important role. The comparative assessment of innovation performance across the NUTS II regions of the European Union and Norway is provided in the European Regional Innovation Scoreboard (RIS) (Regional Innovation Scoreboard (RIS) 2009). Regional data from the Community Innovation Survey are, among other data, used for comparisons made in RIS. Some of the main findings of the Regional Innovation Scoreboard are: there is considerable diversity in regional innovation performances and regions have different strengths and weaknesses. The presence of local public research institution, large dynamic firms, industry clusters, venture capital and a strong entrepreneurial environment can influence the innovative performance of regions. These create the potential for contacts with suppliers, customers, competitors and public research institutions (Oslo Manual, OECD-Eurostat, 2005). Enterprises, both on national and regional level, have to innovate and invest in knowledge and skills to become more competitive and to be able to face challenges on the market. Mechanisms, available at policy level, can simulate the innovation performance of regions.

In this paper the emphasis is on regional analysis of innovation activities of enterprises in Croatia, which is necessary for economic growth and development, as well as for creating regional innovation policy. Measuring and monitoring of innovation on the regional level can be done based on certain indicators, and some of these indicators will be analysed in this paper. The analysis is based on the data from the survey on innovation activities of enterprises in the period from 2006 to 2008 carried out by the Croatian Bureau of Statistics, in line with the Oslo Manual. The analysis will show that the diversity in innovation performance of Croatian regions exists, but the differences are less distinctive when considering the share of innovative enterprises in relation to the total number of enterprises in a specific region. All three regions show similar behaviour considering specific characteristics of innovation, such as use of different innovation activities, introduction of various innovation types, objectives for innovation etc.

Survey methodology

This paper is based on the results of the survey on innovation activities in enterprises in the period 2006 – 2008. The survey has been carried out on the sample of 4.504 enterprises – legal entities and natural persons, and it is fully compliant with the survey implemented in the European Union every second year, titled „Community Innovation Survey" . Survey methodology is harmonized with the Oslo Manual, OECD 2005. A basic group for the statistical survey and contains 10 841 enterprises – legal entities and natural persons employing 10 or more persons and with a prevailing activity classified among the following NACE Rev. 2 activities: Mining and quarrying, Manufacturing, Electricity, gas, steam and air conditioning supply, Water supply; sewerage, waste management and remediation activities, Wholesale trade, except of motor vehicles and motorcycles, Transportation and storage, Publishing activities, Telecommunications, Computer programming, consultancy and related activities , Information services activities, Financial and insurance activities, Architectural and engineering activities; technical

testing and analysis, Scientific research and development, Construction, Advertising and marketing research, Real estate activities, and Accommodation and Food service activities. The basic group was stratified according to the activities, size classes according to the number of persons in employment and NUTS II regions. Size classes were as follows: small enterprises (10 – 49 persons in employment), medium-sized enterprises (50 – 249 persons in employment), and large enterprises (250 + persons in employment)(Državni zavod za statistiku, 2010., Inovacije u hrvatskim poduzećima u razdoblju 2006. – 2008.). Statistical unit for the survey is an enterprise – legal entity and natural person. Enterprises are sampled by a NUTS II in which they have a head office. Large enterprises can have several local units situated in different NUTS II regions. Innovation which occurred in a local unit of an enterprise situated in a NUTS II differing from the region in which the enterprise head office is, is presented in the region of the head office. It may limit the interpretation of innovation activities by NUTS II regions for enterprises with several local units in different regions. Data are collected by paper questionnaires posted to enterprises, from May to July 2009, with a response rate 75.6%. The survey collected data on types of innovation introduced into enterprises, innovation activities and expenditure on product and process innovation, sources of information and cooperation in innovation activities, innovation objectives and general information on enterprises.

Analysis of innovation activities in the republic of Croatia by NUTS II regions

Innovation activities of enterprises are analysed by statistical region at NUTS II level. According to the needs for comparable statistical data on regional levels, The Republic of Croatia is subdivided into three statistical regions at the level II – non-administrative units established by grouping of counties as administrative units on the lower level. Statistical territorial units at level II are North-west Croatia, Central and East (Pannonian) Croatia and Adriatic Croatia. The purpose of this breakdown of the country into the statistical regions is on one side enabling collection, processing, analysis and dissemination of regional statistics, and on the other side, in the context of the EU Cohesion Policy, establishing levels and types of EU funding. According to the Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics, the purpose of introduction of statistical regions is „ … collection, transmission and publication of national and Community statistics so that all operators in the single market can be provided with comparable statistical data. In this context, classifications are an important tool for the collection, compilation and dissemination of comparable statistics".

1. East Croatia (8 counties: Bjelovarsko-bilogorska, Viroviticko-podravska, Pozesko-slavonska, Brodsko-posavska, Osjecko-baranjska, Vukovarsko-srijemska, Karlovacka, Sisacko-moslavacka county)

2. Adriatic Croatia (7 counties: Primorsko-goranska, Licko-senjska, Zadarska, Sibensko-kninska, Splitsko-dalmatinska, Istarska, Dubrovacko-neretvanska county)

3. North-west Croatia (6 counties: Zagrebacka, Krapinsko-zagorska, Varazdinska, Koprivnicko-krizevacka, Medjimurska county and City of Zagreb)

Next, basic results of the survey on innovation activities in enterprises will be analyzed, comprising structure of the total number of enterprises, structure and characteristics of innovative enterprises, implementation of different types of innovation activities, expenditure on innovation activities as well as objectives of innovation of products and processes development.

Picture 1.: Republic of Croatia – NUTS II regions
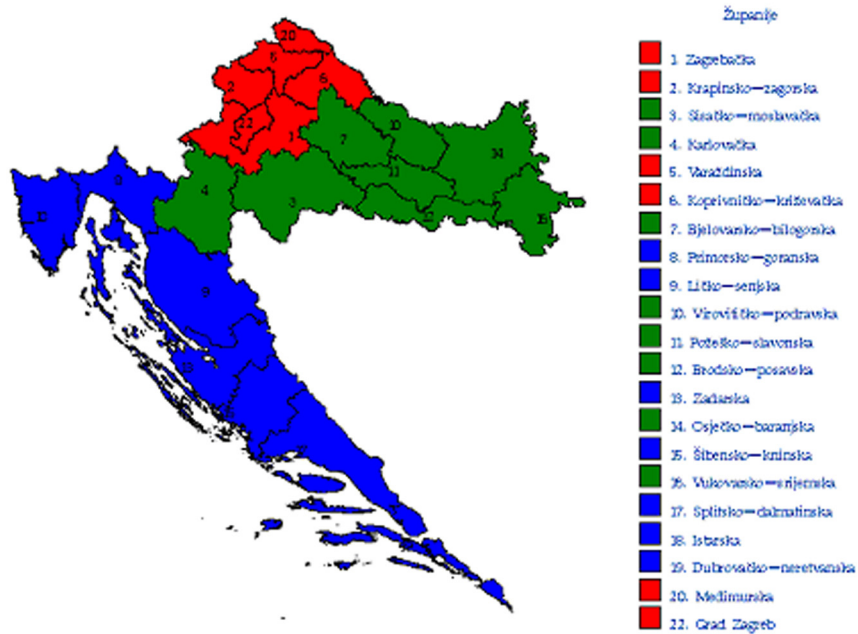
Chart 1. Structure of enterprises by NUTS II regions in the total number of enterprises in Croatia, 2008
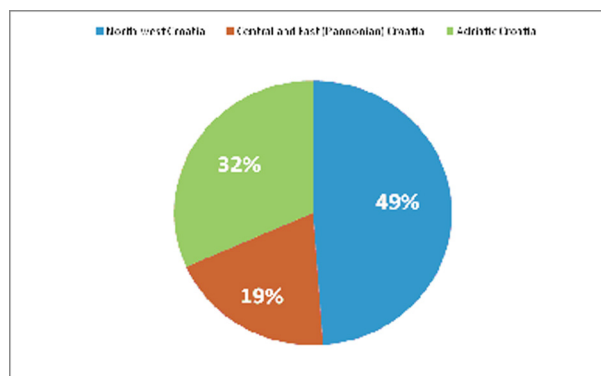
Out of the total number of enterprises in the Republic of Croatia, almost half of them have head offices in the North-west Croatia (49%), in the Adriatic Croatia there are 32% of enterprises, while 19% of the enterprises have head office in the Central and East (Pannonian) Croatia. If distribution of enterprises by size is considered, in the North-west Croatia there is a majority of all enterprises, 49.3% of small

enterprises, 46.1% of medium-sized enterprises and 52.9% of large enterprises, while in the Central and East (Pannonian) Croatia there is the least number of enterprises by all sizes, 18.4% of small, 24.3% of medium-sized and 20.3% of large enterprises.

Chart 2. Enterprises in Croatia by size and NUTS II regions, 2008

Table 1. Innovative enterprises by innovation type, size and NUTS II region, 2006 - 2008

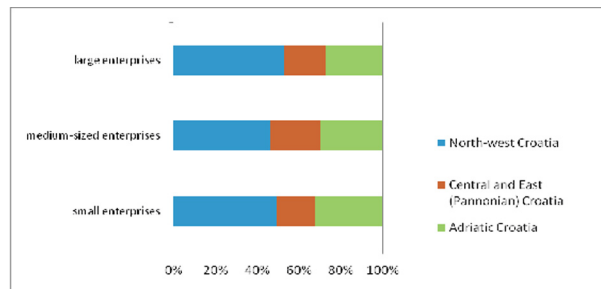|		Innovative enterprises	Product and process innovators only	Organisational and marketing innovators only	Product and process and organisational and marketing innovators simultaneously	Product and process innovators	Organisational and marketing innovators
Croatia	small enterprises	34,28	8,09	9,87	16,33	24,42	26,19
	medium-sized enterprises	55,25	11,60	10,28	33,37	44,97	43,65
	large enterprises	72,92	10,42	7,55	54,95	65,36	62,50
	total	39,19	8,77	9,85	20,56	29,33	30,41
North-west Croatia	small enterprises	36,40	8,17	11,68	16,54	24,71	28,22
	medium-sized enterprises	59,43	10,26	12,29	36,99	47,26	49,28
	large enterprises	80,79	9,36	8,37	63,05	72,41	71,43
	total	41,76	8,55	11,64	21,57	30,12	33,21
Central and East (Pannonian) Croatia	small enterprises	32,70	8,54	7,08	17,08	25,62	24,16
	medium-sized enterprises	47,51	11,09	7,92	28,51	39,59	36,43
	large enterprises	58,97	8,97	3,85	46,15	55,13	50,00
	total	36,84	9,14	7,14	20,56	29,70	27,70
Adriatic Croatia	small enterprises	31,99	7,70	8,71	15,58	23,28	24,29
	medium-sized enterprises	55,10	14,10	9,09	31,73	45,83	40,82
	large enterprises	67,31	13,46	9,62	44,23	57,69	53,85
	total	36,67	8,88	8,77	19,02	27,91	27,79

Innovative enterprises are defined as enterprises which in the observed period have introduced a product or process innovation, or an organisational or marketing innovation. According to the survey results, the share of enterprises with at least one innovation type on the level of Croatia is 39.19%. If we consider the distribution by NUTS II regions, the share of innovative enterprises in the North-west Croatia is somewhat higher than Croatian average and amounts to 41.75% while in the Central and East (Pannonian) Croatia and Adriatic Croatia this share is somewhat lower, amounting to 36.84% and 36.67%. Degree of innovativeness increases with the enterprise size for all three regions. In the North-west Croatia 81% of large enterprises are innovative, which is almost 8 percentage points above Croatian average. This region shows results above average for small and medium-sized enterprises,

while enterprises in the Central and East (Pannonian) Croatia and Adriatic Croatia, according to their size, fall below Croatian average in this respect.

Chart 3. Innovative enterprises by size and NUT II regions, 2006 - 2008
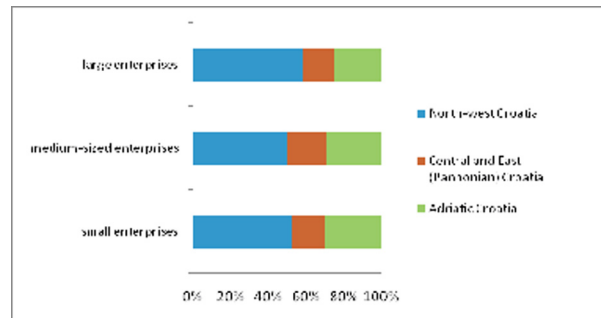
Chart 4. Share of innovative enterprises in the total number of innovative enterprises in Croatia, by NUTS II regions, 2006 - 2008
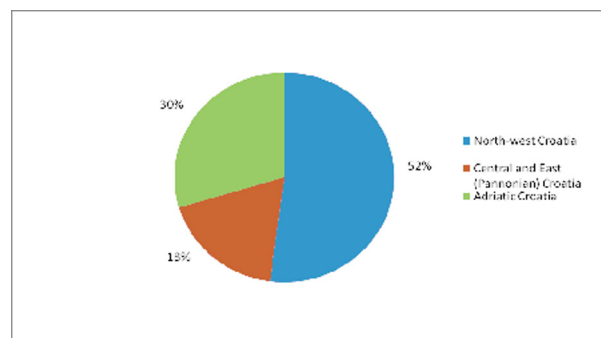
If you consider distribution of innovative enterprises in Croatia by NUTS II regions, it becomes obvious that more than half of innovative enterprises are located in the North-west Croatia (52.1%). The Adriatic Croatia follows with the share of 29.63% and the Central and East (Pannonian) Croatia with the share of 18.27%.

Innovative enterprises are sub-divided into two groups, product and process innovators (so called technological innovators) and organisational and marketing innovators (so called non-technological innovators). Product and process innovators are enterprises which have, in the observed period, introduced an innovation of a product and/or process or were engaged in ongoing and/or abandoned innovation activities related to product or process innovations. Organisational and marketing innovators are enterprises which have, in the observed period, introduced organisational and/or marketing innovation (Eurostat). In the North-west Croatia there are more frequent innovations in organisation and marketing (11.6%) in relation to the product and process innovations (8.55%), in the Central and East (Pannonian) Croatia there are more frequent product and process innovations (9.14%) in relation to the innovations in organisation and marketing (7.14%), while in the Adriatic Croatia both innovation types are levelled (product and process innovations 8.88% and innovations in organisation and marketing 8.77%). Product and process innovations and innovations in organisation and marketing occur in enterprises for all the three regions simultaneously. Thus, it is possible to conclude that introductions to the market of new products or services or new production processes are usually accompanied by

changes in enterprise business practices, introduction of new methods into organisation of work and decision-making processes, application of new methods in relation with other enterprises, as well as changes in marketing concepts or strategies. In this respect there are no differences between regions. If you observe a distribution of simultaneous products and process innovations and innovations in organisation and marketing, it is clear that in all three regions the share of such innovations increases with the enterprise size.

Next, financial aspects of innovation introductions will be analysed. The financial effect achieved by introducing innovations in an enterprise is measured by the share of innovative products in the total turnover . In the North-west Croatia it amounted to 17.7% of the total turnover in 2008, coming from new products introduced to the market (introduced to the market ahead of the competitors). In the Central and East (Pannonian) Croatia this share is 9.8%, while in the Adriatic Croatia it amounts to 11.3%. However, if you consider the share in the total turnover resulting from products new for the enterprise, this share is highest in the Adriatic Croatia (25.7%), lower in the Central and East (Pannonian) Croatia (18.8%) and the lowest in the North-west Croatia (11.2%).

Innovation activities are all scientific, technological, organisational, financial and commercial steps taken for the purpose of introducing innovations (Oslo Manual, OECD 2005), including research and development activities in-house, external research and development services, acquisition of machinery, equipment and software, acquisition of external knowledge, training for innovative activities, introduction of innovations on market and other activities undertaken by the enterprise in order to introduce new or significantly improved products and processes. The most frequent activity in relation to product and process innovators in all three regions was acquisition of machinery, equipment and software. In the Adriatic Croatia there were even 92.9% product and process innovators which used this type of innovation activity. Second innovation type by frequency in all three regions was training for innovative activities, used by 65.1% enterprises in the North-west Croatia, 60.1% enterprises in the Central and East (Pannonian) Croatia and 55.7% enterprises in the Adriatic Croatia. In-house research and development activities were used by 48.5% enterprises in the North-west Croatia, while this type was used by 35.9% enterprises in the Central and East (Pannonian) Croatia.

Chart 5. Innovation activities for product and process innovations by NUTS II regions, 2006 – 2008
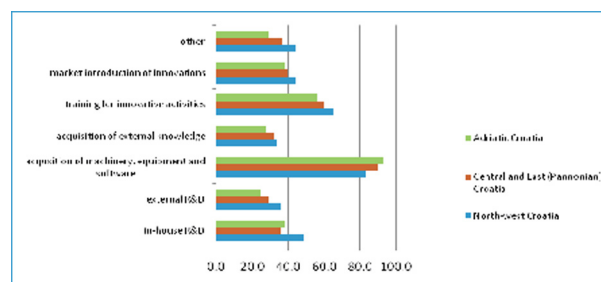
Expenditure for innovation activities represents an important indicator for the investment of an enterprise into new or significantly improved products and processes. In the total expenditure for innovation activities on the level of the Republic of Croatia, the share of the North-west Croatia amounts to 71.5%, share of the Adriatic Croatia amounts to 15.1%, and the share of Central and East (Pannonian) Croatia amounts to 13.4%. Considering individual categories within innovation activities, the North-west Croatia has the highest share in each individual category, while its largest share is in expenditure for external research and development activities, amounting 87.2%.

Chart 6. Share of expenditure by types of innovation activities by NUTS II regions in total innovation expenditure of Croatia, 2008
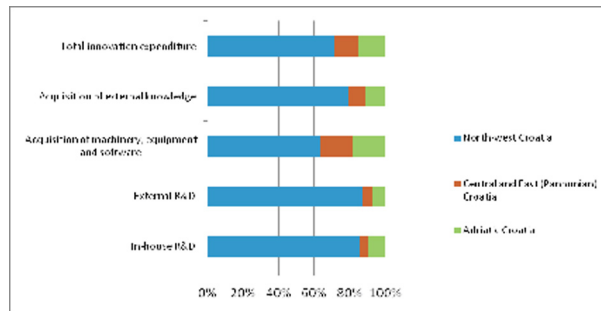
Considering expenditure for innovation activities by NUTS II regions, expenditure for acquisition of machinery, equipment and software makes the major part of total expenditure for all the three regions, which can lead to the conclusion that, regardless of the region, enterprises are primarily oriented towards technological modernisation, with less emphasis on the acquiring knowledge, which represents the basis for the economic growth. Expenditure for acquisition of machinery, equipment and software are especially high in the Central and East (Pannonian) Croatia, where it makes 84.75% of all expenditure. Expenditure structure in the North-west Croatia indicates that in this region, compared to two other regions, investments are the highest for research and development (28.8%). It is not surprising, bearing in mind that in the North-west Croatia there are seats of majority of large enterprises possessing capital, stock of knowledge and other resources necessary for research and development. In the North-west Croatia the largest part of expenditure is related to external research and development services (8.32%), which can be a consequence of availability of larger number of research institutes and academic institutions in the vicinity.

Chart 7. Share ofexpenditure by types of innovation activities in total innovation expenditure of NUTS II regions, 2008
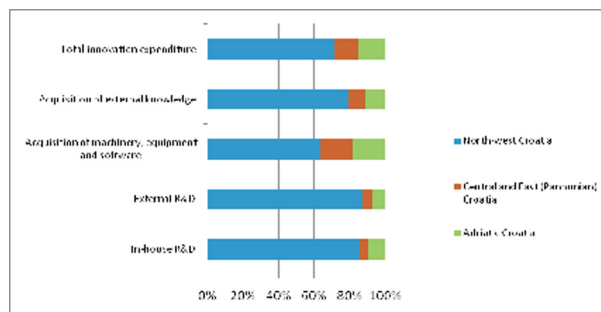
Expenditure for innovation activities per employee is one of the indicators of the level of enterprise investments into innovations. In all the three NUTS II regions, as well as on the level of Croatia, expenditure for innovation activities per employee are highest in small enterprises and they decrease with incresing enterprise size, except in the Central and East (Pannonian) Croatia, where expenditures per employee are lowest in medium-sized enterprises.

Chart 8. Innovation expenditure of product and process innovators per employee, by size and NUTS II regions, 2008
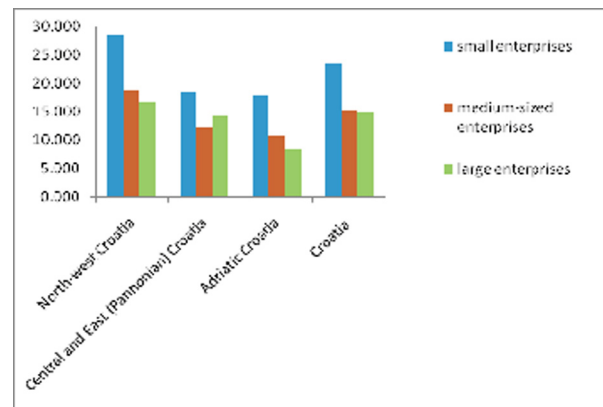
Research and development is considered as the basis for creation of stock of knowledge and innovations in enterprises and in the economy of a country in general. Research and development, as an innovation activity, is subdivided into in-house research and development activities and external research and development services. In the further text, in-house research and development activities will be analysed in more detail. These activities comprise creative work undertaken within an enterprise in order to increase the stock of knowledge for the development of new and improved products and processes . In-house research and development activities can be performed continuously, if permanent staff engaged in research and development exists in the enterprise, or occasionally, when research and development is carried out according to specific needs. Enterprises which were continuously engaged in innovation activities through their own research and development are distributed evenly in all three NUTS II regions. In the North-west Croatia their share is 19% of all enterprises, in the Central and East (Pannonian) Croatia they make 22.8%, while in the Adriatic Croatia they make 19.7% of all enterprises. Large enterprises have the largest share of enterprises possessing permanent research and development staff, which makes 41.1% in the North-west Croatia, 35.7% in the Central and East (Pannonian) Croatia and 40% in the Adriatic Croatia. However, it is surprising that the share of small enterprises among those who are engaged in the continuous research and development is 24.2% in the North-west Croatia and 18.9% in the Adriatic Croatia, contrasted with 11.5% share in the North-west Croatia.

In the survey questionnaire enterprises were asked to estimate the level of importance of specific objectives for their innovation activities in developing product and process innovations, like increasing the range of products or services, entering new markets, increasing market share, etc. The importance of specific objectives was evaluated on the scale ranging from high to negligible. In Chart 9, the objectives of innovation activities evaluated as high are presented by regions. The objective of product and process innovation development which was most frequently stated as very important, regardless of the NUTS II region, is quality improvement of products and services. In the Central and East (Pannonian) Croatia 60.3% of product and process innovators stated this objective, in the North-west Croatia 57.4%, and in the Adriatic Croatia 48.1% of such enterprises. The objective rated as second by importance in the North-west Croatia (47.4%) and in the Adriatic Croatia (42.4%) was the increase of range of products and services, while the objective with the second rating by importance in the Central and East (Pannonian) Croatia was the improvement of flexibility for production of goods and services. The objective estimated by the smallest number of enterprises as the most important in all three NUTS II regions was the improvement of health and safety aspects.

Chart 9. Objectives for product and process innovations, by NUTS II regions, 2006 - 2008
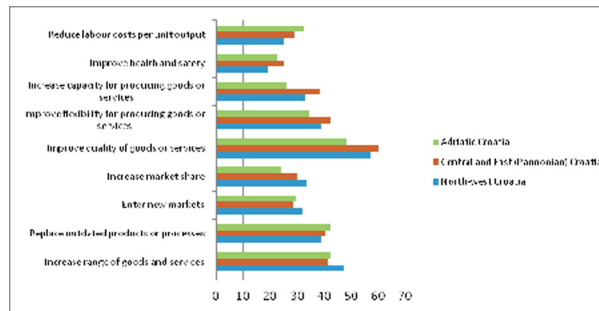
Conclusion

Almost half of all enterprises in the Republic of Croatia are located in the North-west Croatia (48.9%). In this NUTS II region there is more than half of all innovative enterprises (52.1%). In the Central and East (Pannonian) Croatia 19.44% of all enterprises in the Republic of Croatia is located, and 18.27% of all innovative enterprises, while in the Adriatic Croatia there is 31.66% of all enterprises and 29.63% of all innovative enterprises. The differences between NUTS II regions are less distinctive when considering the share of innovative enterprises in relation to the total number of enterprises in a specific region. In the North-west Croatia the share of innovative enterprises is somewhat higher than the average for the Republic of Croatia and makes 41.75%, while for the Central and East (Pannonian) Croatia this share makes 36.84%, and for the Adriatic Croatia it makes 36.67%. Product and process innovations and organisational and marketing innovations for the largest number of enterprises occur in all the three regions simultaneously. It leads to a conclusion that introduction of a new or improved product or process is usually accompanied with changes in the enterprise business practices and in marketing concepts or strategies. The most frequent type of innovation activities in introduction of product or process innovations for all the three NUTS II regions was the acquisition of machinery, equipment and software, followed by training for innovation activities. In total the expenditure for innovation activities, the share of the North-west Croatia is 71.5%. Expenditure for acquisition of machinery, equipment and software makes the largest part of expenditure in all three regions. The objective for development of product or process innovations, stated most frequently as the most important, regardless of the region, is the improvement of product or services quality.

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SUSTAINABILITY MARKETING STRATEGIES: EXAMPLES OF BEST PRACTICES IN CROATIA

ANDREA BEDEK

Abstract

Quite often companies are guided with short term goals and by the desire to achieve immediate profit. In such cases companies usually neglect activities that have positive impact on environment and society. Such thinking represents a type of business myopia and does not represent the possibility for the achievement of long term competitive advantage. In the last few years, public appeals that are oriented on activities of preserving environment and increasing the level of sensibility about social issues are growing rapidly. In 1980's, the term sustainable development was introduced and the first guidelines for its implementation in business strategy were created. Marketing, as a main connection between companies and consumers, has a great role in the creation of consumers' habits and in the change of global thinking. As the concept of sustainability has been implemented in business strategy, the need for adoption of new marketing forms and new strategy formation in conformity with sustainability requirements has occurred. Thereby, many companies began to dedicate their attention and effort to new forms of marketing, evolution of which has brought to the creation of sustainability marketing. The goal of this paper is to examine best practices among Croatian companies that distinct themselves from others by implementing sustainability in their everyday business practices and provide managerial suggestions that can help in sustainability implementation.

Key words: sustainability, marketing, Croatia

Introduction

> *It is not the strongest of the species that survives, or the most intelligent, but the most responsive to change.*
>
> ~ Charles Darwin

Two hundred years ago, in "The Wealth of Nations", Adam Smith (1999 (1776)) wrote about the lack of responsibility of large companies. He argued that the large enterprises at that time pose a threat to the society because they externalized the risk inherent in their operations so that it was to be borne by stakeholders rather than the enterprise itself. Until recently, companies have been regarding the environmental and social issues as an additional promotional dimension and a form to achieve short term cost savings and increase profit (Peattie and Crane, 2005). But now, marketing activities must be radically shifted and focused on initiatives that increase value for the consumers and other stakeholder's groups in order to maximize the overall benefit to the company. The change in thinking is visible from the research conducted by PriceWaterCoopers (PWCs, 2009) in which majority of respondents CEO's (68%) stated that when considering the criteria for investments notion of "meeting the social needs before the needs of investors, customers and employees" is important or very important, while 75% believed that "ensuring the welfare of future generations" is important or very important. According to strategy and marketing consultant Peter Fisk, sustainability is one of the key trends shaping marketing today (ITSMA, 2006) while Schaefer (2005) argues that sustainable development is perhaps the most significant and the most difficult problem currently facing marketing. That is the reason why implementation of some basic sustainability assumptions per se does not provide opportunities for achieving long term competitive advantage. Value adding is a continuous process in which observation of extraordinary

business practice can be very helpful. Because of that, the purpose of this paper is to examine best practices among Croatian companies that distinct itself from others by implementing sustainability in their everyday business practice.

Sustainability marketing

Since 1970s several marketing concepts have emerged that deal with ecological and social issues in different ways including societal marketing, social marketing, ecological marketing, green marketing, environmental marketing, sustainable marketing and sustainability marketing. (Belz and Peattie, 2009). The term sustainable development was defined in 1987 in the publication "Our Common Future" (WCED, 1987), but it took marketing scholars two decades to realize that a proactive marketing approach based on the principles of sustainability was essential to further sustainable development (Garcia-Rosell, 2009). In 1995 the term sustainable marketing was introduced by Sheth and Parvatiyar (1995) who discussed marketing efforts that are both competitively and ecologically sustainable. Fuller (1999) defines sustainable marketing as the process of planning, implementing and controlling development, pricing, promotion and distribution of products in a manner that satisfies the following three criteria: (1) customer needs are met (2) organizational goals are attained, and (3) the process is compatible with ecosystems. According to Beltz and Peattie (2009), sustainability marketing is the marketing that endures forever, in that it delivers solutions to customer's needs that are ecologically oriented, viable, ethical, and relationship based. According to Charter et al. (2002), sustainability marketing is creation, production and delivery of sustainable solutions with higher net sustainable value, while continually satisfying customers and other stakeholders. In more general term, sustainability marketing may be defined "as building and maintaining sustainable relationships with customers, the social environment and the natural environment" (Belz, 2006). Sustainable marketing accepts the limitations of a market orientation and acknowledges the necessity of regulatory alteration to the market mechanism. Instead of avoiding regulations, sustainable marketing fosters corporate and collective commitment to necessary alteration of institutional settings and price signals in favour of sustainable development. Hargroves and Smith (Hargroves, 2005) identified some common principles of sustainability: dealing cautiously with risk, especially with perceived irreversibility; appreciation and value for nature; integration of environmental, social, and economic goals in planning ("triple bottom line"); community participation in planning; conservation of biodiversity; concern for the equity of future generations; sensitivity to global effects; commitment to best practices; no net loss of human or natural assets; continuous improvement; good governance. The number of leading companies that are starting to adopt principles of sustainability marketing continues to grow. Researchers in the field argue that companies should begin to prepare for a more sustainable millennium by re-examining the social and environmental impacts of their marketing strategies. That is a complex task which involves investigation through complete supply chain which can take marketers outside their traditional frame of reference (Charter et al., 2002). Hosfeld and Mish (2008) identified several themes always emerging as a characteristic of marketing in sustainability oriented companies:

• They view their situations through a complex, systems perspective – highlighting interrelationships of components and stakeholders;

• They take a long-term triple bottom line approach – finding third-way solutions instead of creating trade-offs between goals;

• They engage a broad array of stakeholders;

• They integrate full-cycle product (or service) costs into their understanding of what creates value and relevance for customers;

• They emphasize relational, trust-based communications and sales approaches.

Adding value through sustainability marketing mix

Sustainability and product

Product as an element of sustainability marketing must comply ecological and social marketing criteria. It is possible, in the manufacturing and product design, to add exclusive elements of green marketing to a product, but in the process of adding value, i.e. buying and using it is also possible to add a social component. Companies that want to achieve a sustainable competitive advantage need to think about strategies that involve new technologies for environmentally efficient production, standardization of products to ensure their safety for the environment, providing truly natural products and orientation on product solutions that preserve resources and improve health (Lozada, 2003). The sustainability of the products must be achieved during its entire life cycle, from development through production, usage, and at the end of its life. Sustainable solutions minimize negative and maximize positive impacts of products on the environment and society. Adding value in the development and production requires the involvement of managers and thinking about the requirements that the product should meet. The process of adding value does not end simultaneously with the completion of production, it continues in use and disposal phase. Sustainable products should meet the following characteristics (Charter et al, 2002): they must satisfy a genuine human need, should not harm the environment or health, and should have the green life cycle. Researches recommend approach from the cradle to cradle of product life cycle which requires products to be reintegrated into the production process, after disposal, or to be biodegradable. It is necessary to design a product so that it can be used in the manufacture of new products and services that support both production and ecological cycle. To ensure that products are environmentally friendly, the company ensures the production process and use organic and the synthetic materials. International survey data consistently show that the majority of consumers in industrialized countries (and increasing numbers in developing countries) prefer not to purchase products that pollute the environment, destroy ancient forests, exploit workers, or otherwise are socially or environmentally harmful (O'Rourke, 2005).

Sustainability and price

In the sustainability marketing the price should not be formed solely by economic factors such as production costs, desired profit margin, or cost of competitive products. It is very important to, along with economic criteria, take into account the welfare of consumers, bearing in mind that price cannot be determined in way that can harm any of the stakeholders. Consumers are increasingly willing to pay a higher price for a product that contributes to a social or environmental purpose, but it should be emphasized that consumers will buy such a product only if it has a higher perceived value than the competitive, unsustainable product. In order to justify the higher price, the company should inform consumers about the benefits obtained by using sustainable products in comparison with the standard, the period of return on investment if it is a major investment, etc. In addition, the company can price products and part of the price give to charity. It is necessary to form the price in accordance with the purchasing power of consumers and its perceived value, in order to increase their welfare, while it is necessary to avoid unethical practices such as price discrimination and damping prices. Special pricing policy is related to demarketing – increasing of product prices in order to reduce consumption of environmentally sensitive products (Charter et al, 2002).

Sustainability and place

Distribution can contribute to the sustainability marketing by paying attention to the location of the company and its impact on the environment, switching to more efficient modes of transport, cooperation with the members of distribution channels which also implemented elements of sustainability, etc. The big amount of carbon footprint can be reduced with selection of transport vehicle type. The most environmentally hazardous is air transport, with emissions of more than 250 kg of CO_2 per 1,000 miles,

while the lowest impact on the environment has a rail transport which emits less than 50 kg of CO2 per 1,000 miles (WWF, 2007). If the product or raw materials' characteristics provide the possibility of replacing the transport mode, a company can significantly affect the amount of CO2 emissions. For example, in Japan a partnership between Shihoro Agricultural Cooperative Association, Japan Freight Railway Express and Niponn led to the reduction in CO2 emissions by 52% during the transport of potatoes, since the rail replaced road transport. Other possibilities for sustainable distribution include changes of a vehicle's engine (ecological fuel), use of larger capacity vehicles, planning delivery routes, and distribution centres in locations close to retail outlets. A very important component of the sustainability distribution is the cooperation with all members of distribution channel. In terms of suppliers, it refers to cooperation in terms of procurement of inputs that support environmental sustainability of production. In a matter of agents sustainability refers to the selection of those companies that can provide the best customer service in terms of downstream channel members to cooperate with the wholesalers and retailers in terms of organizing the activities of shipping and selling products. Kopczak and Johnson (2003) are arguing that it is possible to identify six changes in thinking about the management of distribution channels, all of which require co-operation between members: (1) From functional integration to the integration among enterprises (outside the organization), (2) From physical efficiency to market mediation (merger of market supply and demand), (3) From a focus on bid to focus on demand, (4) From independent product design to a common design, (5) From cost reduction towards new business models, and (6) From the mass market to the coordinated offer. Implementation of sustainability practice is also possible in the sale. The Star Market had invested in the construction of stores that will use fuel cell energy for cooling, heating and ventilation, elevators, cash registers and lighting, along with cooling systems with low environmental impact. Tesco opened its first supermarket without carbon emissions ("zero carbon" initiative) and Wall Mart in 2005 made a decision about the use of sustainable natural resources, renewable energy sources and the creation of a "zero waste". Its aim was to reduce the greenhouse gas emissions by 30% by 2009, and the result was 45% more energy efficient store.

Sustainability and promotion

Sustainability promotional activities cannot be based solely on advertising; they must include public relations, direct marketing, personal selling, etc. Advertising is an element of the promotional mix which is able to communicate environmental awareness of companies and products, but also their social responsibility. It is necessary to take into account how consumers understand communicated programs, whether they should emphasize the ISO standards, should the ads contain information about the social responsibilities of companies, etc. When selling the sales staff should understand the issues associated with sustainability and performance of the product and know how to respond to all of customers' questions. When sending direct mail, it is desirable to use recycled paper. Online marketing has a major role because a company can make a separate page linked to the brand product, which informs and educates consumers about sustainability through the publication of useful tips for the use of products and provisions of reports on sustainability. A very important form of promotion is public relation, which helps create a positive image of the company through various media announcements, press releases on the official website, and a variety of sponsorship and collaboration with humanitarian organizations. Sustainability marketing promotion must be credible, clear, consistent, and communicative. Credibility means that it is necessary to provide clear, solid data that can be proven. Clarity is important in receiving messages. Since in the communication between the sender and the receiver noise occurs, if the message is not communicated clearly - consumers may not fully understand it. Also, clear and authentic message provides confidence in the company. Consistency helps create trust and loyalty. Companies that are not consistent in their operation and communication leave a bad impression because such behaviour can be understood as a lack of clear goals and strategies.

Research

For the purposes of this study, it was decided to select a sample from the List of brands that have achieved best results in research about application of sustainability marketing practice among Croatian

top brands (Palić and Bedek, 2010). The first brand in each of the following categories were analyzed: beverages production (Coca-Cola), pharmaceutical production (Pliva), and food production (Čokolino/ Podravka). For the purpose of this study the following four basic research questions were posed:

- RQ1: What is sustainability strategy of a company?

- RQ2: How does a company communicate sustainability towards all interest groups?

- RQ3: How does a company measure sustainability?

- RQ4: What are the key challenges it faces?

In order to examine sustainability practices and therefore answer research questions one and two, a list of sustainability activities and indicators was selected. Since the goal of sustainable development implies that companies need to be able to measure the sustainability of their current behaviour, as well as the direction in which they are moving, companies are required to use sustainability indicators (Gray and Wiedeman, 1999). Possible sustainability activities and questions were first examined in literature (presented in Table 1) and then selected based on their adequacy to the current sustainability development in Croatia.

Also, GRI guidelines (GRI, 2001) were taken into consideration, for example child labour; consumer health and safety; water consumption; energy management and consumption; water minimisation; product and packaging recovery; logistics and transportation; programs for adherence to laws standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship; nature, scope, and effectiveness of any program and practice that assess and manage the impacts of operations on communities, including entering, operating, and exiting etc. In addition, ownership of certificates linked to the sustainability issues was examined.

Information were collected from annual reports, press releases, internet sites and content search. Promotional activities in media and stores were observed as well as products available in the stores in order to find sustainability appeals on packaging and in order to explore packaging materials. Following categories were observed in Table 2.

Coca-Cola case

Coca-Cola is produced by Coca-Cola HBC Croatia based in Zagreb. In the 2008 the company had net profit of 147 mil EUR and production of 28,5 million unit cases. Of all the products in the company's portfolio, Coca-Cola had 51,6% product sales volume (Coca-Cola, 2009). Coca-Cola is one of the companies that have been rewarded for sustainability efforts by the Croatian Business Council Sustainable Development and the Croatian Chamber of Economy. The company has focus on issues regarding water stewardship, energy and climate protection, packaging and recycling, consumer health, people development, supplier engagement, benefiting communities, and UN Global Compact. The production, storage and distribution apply quality assurance and food safety standards, according to the requirements of ISO 9001:2008 and ISO 22000:2005 international standards, environmental protection according to the ISO 14000:2004 standard and the health and safety standard OHSAS 18001:2007. Production materials are purchased locally (on the territory of the Republic of Croatia) and all suppliers must follow supplier guidelines principles. Products' packaging can be recycled but more than 50% of assortment packaging is not biodegradable. Regarding labelling, products contain ingredient information and a nutritional value table but also they have ecological appeals on packaging. In a matter of price as a marketing element, it can be stated that the product is available to the target group. Coca-Cola operates in three bottling plants across the country and has 6 warehouses and distribution centres. That fact, together with the encouragement of partners in process, shows that the sustainability is implemented in the distribution chain. In addition to that, the company invests in reduction of carbon footprint of transportation. The company contributes to the protection of the environment (River Gacka Project), sponsor sport and education activities, contributes to the social responsible causes, supports

local community, and donates to the needy. All monetary donations are transparent and available to public together with the amount of the donated money on web site, i.e. in 2008 Coca-Cola has donated 180.521 EUR and invested 216.088 EUR in the community. Promotion of sustainability is well covered on the company's web site and press releases, but no sustainability issues are covered in advertising. Communication about environmental and social issues through media can be improved. Coca-Cola publishes sustainability reports since 2003. The progress is reported in the bi-annual Sustainability report (for Croatia) and the annual CSR Group Report. Because of that the report for 2009 is not available. The reports are made according to the Guidelines of the Global Initiative for Reporting on Sustainability. Sustainability Report for 2007/2008 was based on the A level of the application the GRI Guidelines for reporting on sustainability. The key challenges for the future are to continue with the started activities; to increase, or at least to maintain the current level of investments and donations; to manage the project for ecology economic transportation; to reduce the water and energy amount spent by 2-5%, etc., but the crucial challenge is the implementation of better models of communication with consumers.

Pliva case

Pliva is a member of the Teva group. In 2008 Pliva had revenue of 383 mil EUR and sales of 328 mil EUR. It is a pharmaceutical producer focused on sustainability issues regarding water stewardship, energy and climate protection, waste management, packaging and recycling, consumer health, people development, community benefit, and UN Global Compact. Pliva pays special attention to old and/or unused products which are collected on special events. In that way, those products are not disposed in the nature. Products' packaging can be recycled and more than 50% of assortment packaging is biodegradable. Environment protection is a big issue for the company – there was a donation of 83.561 EUR towards the control of functionality of collector Harmica-Zaprešić. Pliva is an active member of community and supports socially responsible causes. The biggest effort is made in promotion of healthy lifestyle – Pliva has opened a special web site dedicated to the consumer health. In addition, Pliva has published the brochures "Living with drugs", "Living with allergies" and "Living with depression" for the blind and visually impaired in Braille. PLIVA's Sustainable Development Committee has been operational since 2002. Promotion of sustainability is not very well covered on the company's web site and press releases and there is no sustainability issues covered in advertising. Communication about environmental and social issues through media can be improved. Pliva publishes its sustainability report since 2003, but the reports for 2007 and 2009 are missing on the web site. Reports are made according to the Guidelines of the Global Initiative for Reporting on Sustainability. In its sustainability report the company says that monetary donations are distributed in the following way: 60% to the health, 20% to the science, education and environment protection, and 20% to the NGO's. The reports about donations can be easily found in press releases and by searching the web. The key challenges are to continue with the started activities and create promising future for the whole community.

Table 1.: Possible sustainability considerations according to the component of marketing mix

Component	Activities/Questions	Authors
Product	Product safety and socio-environmental impacts, harmful processes and substances, labelling, involvement in research and development, product stewardship, organic food products, focus on ecological and environmental aspects, cradle to grave life cycle approach, clean production, design for environment.	Belz and Peattie, 2009.
	Energy efficient (ie. reduced CO2 emissions), non-polluting, easily repairable, designed to last, re-usable and recyclable, minimised packaging, manufactured from renewable resources, removal of hazardous materials, manufactured from locally sourced material, to minimise transport costs, provision of sufficient information, not tested on animals, no use of "child labour" in manufacturing (in-house or contract), no use of "forced" labour.	Charter et al., 2002.
	The SMO procures all products locally or internationally; oftentimes commodity costs are lower than those obtained through donations because of donor restrictions on procurement.	O'Sullivan, et al., 2007.
	What's it made from?; Who makes it?; How is it packaged?; Is the packaging re-useable/recyclable?; What's the product lifespan?; Can it be repaired/re-used? What happens once it's no longer useful?; How will it be disposed of?	Williams, E, 2007.

Price	Consideration of the total cost to the customer for purchasing, using and disposing the product – seeking to reduce the total customer cost and to make customers aware of total customer cost.	Belz and Peattie, 2009.
	Giving, partnership pricing, demarketing, green tariffs, alternative pricing.	Charter et al., 2002.
	Full cost-recovery: Products sell at a price that covers the full COGS, covers the SMO's indirect costs, and generates revenue. SMOs may have some products that are at break-even (full cost-recovery) as well as others with premium prices (to subsidize other elements of the program).	O'Sullivan, et al., 2007.
	Where is the product made?; How is it transported?; Is the transportation as efficient as possible?; Is packaging for transportation re-useable or recyclable? Where/how is the product sold?; How does the product reach the final customer?	Williams, E, 2007.

Distribution	Packaging and waste creation, the disposal of waste, noise and emission levels and the consumption of fossil fuels; larger-capacity vehicles, vehicle engine changes, vehicle telemetric, transport collaboration, logistics systems redesign; sustainability oriented retailing – online commerce.	Belz and Peattie, 2009.
	· where is the company located? How can the environmental impact be lessened? · how close are facilities sited to suppliers, wholesalers and retailers? · have third party distributors implemented greener policies? · can physical distribution be planned to reduce mileage, and hence cut down on air emissions eg. CO2? · are transport planners examining opportunities to encourage the use of railways over roads, and efficient route planning to reduce energy use and therefore air pollution? · are suppliers' vehicles fitted with catalytic converters? · how often are suppliers' vehicle engines tuned? · what efforts are being made to cut down on noise and air	Charter et al., 2002.

Table 2.: Selected sustainability components

Component	Observed categories
Product	Packaging issues, eco labelling, regional production, socially acceptable production, fair trade, suppliers guidelines, water and energy preservation, ownership of certificates, biodegradability of packaging, information about sustainability on packaging
Price	Availability to target group, donating a part of the price for sustainability issues
Place	Type of selling place, distribution network, transportation effects (CO_2 emission)
Promotion	Sustainability issues in advertising and PR, sustainability reports, promotion of sustainable behaviour, participation in local activities, sponsorships and donations

Čokolino (Podravka) case

In general, Čokolino is the name for chocolate cereal flakes, enriched with vitamins. It is suitable for children of 8 months of age and up. But, it is a baby food brand that is consumed in every age group – children, teenagers, young adults and adults, and its popularity earned it the status of a brand which is a synonym for a whole category. Čokolino is produced by the Podravka Group. In 2009 the Group had sales revenue in the amount of 491 mil EUR and gross profit of 198 mil EUR. The company set focus on sustainability issues regarding reduction of energy and water consumption, packaging materials, lowering greenhouse gas emissions and water waste. For Podravka, the most important aspects of the sustainable development are: care for healthy alimentation ("It is our goal as a food company to increase the level of awareness of how important healthy diet is as a foundation of healthy living and to offer our consumers high value and innovative products."), optimizing the exploitation of natural resources and environment protection – its goal is to increase the care for environment by optimizing the use of natural resources and by advancing the technologies and work processes, caring for constant education of the employees, society and for the members of the community with decreased working abilities. Podravka Group is certified in compliance with the demands of the standard ISO 9001-2000 and it has implemented and developed the food safety control management system based on the HACCP principles for production, distribution of food of the Podravka Group. In addition, Podravka follows principles of good manufacturing practice (GMP) and other norms and regulations concerning food industry (IFS, BRC, NSF, Halal). Podravka's investments in the environment protection have been increased from year 2004 to 2006: in 2005 they grew by 250% in compared to 2004, and in 2006 by 50% in relation to 2005. Unfortunately, the Group does not have ISO 14000:2004 ecological standard. The warehouses and distribution centres are located near selling places divided in the regions. The distribution centre opened in 2009 in Dugopolje has united assortment of 8 smaller warehouses for the Dalmatia region. The packaging is biodegradable. Regarding labelling, products contain ingredient information and a nutritional value table and there are also ecological appeals on packaging. Concerning the price as a marketing element, it can be stated that the products are available to the target group. Brand Čokolino is active in promotion of healthy lifestyle, especially among children in elementary schools (Project Lino All-rounder). Čokolino was the sponsor of a quiz made by National Geographic Junior, it grants scholarships, and donates to kindergartens. The Group's overall funds for donations and sponsorships are focused on many social areas: children and youth, aged and feeble, health, culture, science, education, sports, humanitarian activities, publishing activity, environment protection, etc. The promotion of sustainability is covered on the company's web site and press releases, but there is no sustainability issues covered in advertising. Communication about environmental and social issues through media can be improved. The Podravka Group publishes sustainability reports since 2003, but the reports for 2008 and 2009

are missing on the web. The reports are made according to the Guidelines of the Global Initiative for Reporting on Sustainability. Sustainability Report for 2006 was the first one in Croatia based on the B level of the application the GRI Guidelines for reporting on sustainability. The key challenges for the future are to tailor more sustainable marketing offer, to implement the missing ISO standards, to improve sustainability measurements and reports, and to integrate sustainability in promotion, especially through advertising.

Discussion

Research has revealed that sustainability issues are still neglected in Croatia. There are very few attempts of differentiation based on sustainability and/or positioning as a sustainable company/brand. The three observed brands are leading brands in the Republic of Croatia in terms of sustainability with Coca-Cola being the leader. On the other hand, Čokolino (Podravka) is at the top of the list of brands that have adopted sustainability marketing practices but there is room for further significant improvements. If one of the top three sustainable brands have huge space for sustainability improvements it proves that the other brands/companies in Croatia have barely started to implement sustainability. The biggest adoption of sustainability is seen in manufacturing process – all observed companies have activities oriented on different aspects of environment preservation and work relations. But, it seems that those activities are implemented just because of the management's awareness that those activities will become mandatory in the future. More profound sustainability activities focused on the product are implemented in much smaller scope. Sustainability in the area of distribution is covered by taking care of the reduction of CO_2 emissions and optimization of warehousing and transport influence but the question remain could the selling be more sustainable? Promotion is the least covered in terms of sustainability. Companies are aware that donations and sponsorships are providing them a better, socially responsible image, but sustainability cannot be equalised with philanthropy. Sustainability requires promotion of sustainable consumption and behaviour and incorporation of sustainability practices in core of promotional process – all activities must be done in line with ecology, social and ethics standards. For example, if a company wants to promote ecology it is desirable that direct mail is printed on recycled paper. The key challenges for all companies are implementation of more specific sustainability strategies regarding products, upgrading started activities, and integration of sustainability into promotion. Average consumer is not informed enough about the benefits of dealing with sustainability oriented companies and it is their task to inform the target segments about all efforts made in creating solutions that will bring benefits not only to the current consumers and stakeholders but to the consumers, stakeholders, the society and environment in the future.

Marketing managers must understand that their business practice cannot any longer ignore sustainability. It is important to point out that truly sustainable companies have implemented sustainability principles in their overall performance. Because of that, if a company wants to become truly sustainable, sustainability must become a business skeleton. Changes in consumer behaviour are visible. In a market which is becoming more interconnected and competitive the way that sustainability issues are managed will become part of companies' overall business success. These issues will have a strong impact on the reputation and brands, and will become an increasingly important part of company value. Innovative companies can, by implementing sustainability, differentiate their brand and/or themselves from their competition; they can create new target markets and business opportunities, increase consumer retention and brand loyalty, protect reputation and build stronger brands, save costs, attract investments, delight consumers and be a head of potential restrictive legalization. The potential of sustainability is already recognized in developed countries. In Western Europe and USA sustainability is a key trend in shaping company's strategy and marketing offer. Benefits of sustainability implementation are proven. Recent study made by A.T. Kearney (2009) found that companies committed to corporate sustainability practices achieved above average performance in the financial markets during the financial crisis. The performance differential translated to an average of $650 million in market capitalization per company. 35% of companies that participated in MIT Sloan research stated that implementation of sustainability has improved company or brand image. In addition to that, GE investments in sustainability practice have paid off with sales of $17 billion in 2008, what was 21% higher than a year before. (MIT Sloan,

2009). Because of that, it is necessary to understand that implementation of sustainability practices can help marketing managers to create marketing offer that will distinct them from their competitors bearing in mind that have to take into account that it is only the beginning of a truly sustainable business.

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CSR INDEX AS A STRATEGIC MANAGEMENT TOOL IN CROATIA – PHASE ONE & TWO

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Abstract

The European Union, with its key strategic framework also known as a Lisbon Agenda, prescribed corporate social responsibility (hereafter CSR) as a base model for its competitiveness due to the fact that its aim was to make the EU the most competitive and dynamic knowledge-based economy in the world capable for sustainable economic growth with increased employment, better jobs and greater social cohesion. Therefore, in 2006, Croatian Chamber of Commerce and Croatian Business Council for Sustainable Development with the support of the UNDP office in Croatia and AED, launched CSR index project, to develop, together with independent local experts, a methodology for assessing voluntary CSR practices of Croatian companies. After a two-year development process the index was launched in 2008. The initial purpose was to present common interest for mutual cooperation and consultation of all the involved stakeholders in order to increase understanding of CSR responsibility and development of evaluation methodology for socially responsible practices among Croatian business entities. Ultimately, the goal was to initiate prize designing which would be annually awarded for socially responsible business practices. The used methodology is context specific but developed in accordance with similar ones like the Business in the Community Corporate Responsibility Index. The index is implemented through specific a questionnaire which was answered by organizations after they were directly invited to access the filling process. Only economic entities that showed positive economic record and were rated among 500 most successful in Croatia in their category for the last fiscal year, according to pre-developed criteria had the opportunity to participate in the evaluation. The questionnaire is developed around six different fields and its desire was to represent strategic management and knowledge development tool. Completing the questionnaire was on a voluntary basis and it provided a comprehensive insight into the practice of socially responsible businesses and identified areas where it is possible to achieve concrete and constructive steps forward. It also provided measurable benchmark to companies which are committed to managing, measuring and reporting their impact on society over years, in order to allow sustainable economic growth, manage risk, promote best practice and show clear reference. At the moment it is regionally a wis,e single most complex business-led measure and the benchmark of corporate social responsibility available.

Key words: development, index, corporate social responsibility, benchmark

Introduction to CSR practices

Part of the economy dies every day and is replaced by something new (Hawken, 1983). Globalization, enforced and enabled foremost by the development in technology, has had a greater impact on society and a significant role for business within it, than any other development in the past decade. We are witnessing that in the western dominated economies, capitalism has yielded way to a new global order in which no one country or region can enjoy an undisputed advantage. This time of limitless possibilities goes in hand with responsibility for that world. Yet we also face serious societal and ecological

challenges which, if not addressed urgently and properly, will limit the extent to which we can realize those opportunities. It is clear that the mercenary model of management, where greed is good and only numbers count, people are human "resources" who must be paid less so that executives can be paid more, etc. It is antisocial that it will doom us if we don't doom it first (Mintzberg, 1999). Within that context Lisbon Treaty was signed on 13th December 2007 as an international agreement that amends the two treaties which comprise the constitutional basis of European Union (EU). In a changing world, the EU wants to become a smart (educated, knowledgable and innovative), sustainable (a resource-efficient, greener and more competitive economy) and inclusive economy (high employment and economic, social and territorial cohesion). These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. This vision of Europe's social market economy for the 21st century is built on a partnership between different stakeholders. In March 2010 the European Commission made a commitment to renew the EU strategy to promote Corporate Social Responsibility (CSR) as a key element in ensuring long term employee and consumer trust.

Croatia on the other hand applied for the EU membership in 2003, and the European Commission recommended making it an official candidate in early 2004. The entry negotiations, while originally set for March 2005, began in October that year together with the screening process. Economically, Croatia is already considered to have a functioning market economy, although the recession has seen a rapid rise in the country's deficit leading to budget cuts in 2010. Nevertheless Croatia will become the second former Yugoslav republic to join the EU after Slovenia. Negotiations are set to be completed in early 2011 and Croatia is likely to become the EU's 28th member in 2012.

In the fast changing world it is harder than ever to balance conflicting stakeholder demands in economic advancement, improvement, and sustainable development of the most powerful market entity, the company. If the power shift is to succeed, if deregulation and privatization are to grow, corporations will exert more self-restraint and greater self-discipline, substituting self-policing for government regulation and moderating the pursuit of economic gain with stronger ethical restraint (Wilson, 2000). We are witnessing another trend in public consciousness after financial meltdown in 2008 – a greater propensity to expand the scope of corporate liability and hold business organizations more responsible for more and more consequences, for individuals and society, for the products and services they sell. CSR is more relevant than ever in the context of economic crisis. It can help to build (and rebuild) trust in business, which is vital for the health of Europe's social market economy. It can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis. Therefore for many modern companies it is no longer sufficient just to produce quality products and provide distinctive services to their clients. Companies now need to consider the wider social and environmental consequences of their action (McWilliams and Siegel, 2001). CSR can make a significant contribution towards sustainability and competitiveness, both in the EU and globally. In the 2008 European Competitiveness Report, the European Commission published an analysis of the links between CSR and competitiveness. It examined the affects of CSR on six different determinants of competitiveness at firm level: cost structure, human resources, customer perspective, innovation, risk and reputation management, and financial performance. It concluded that CSR can have a positive impact on firm-level competitiveness in the case of all six determinants, but that it will not always do so, being very dependent on the sector, size and circumstances of the company. The strongest evidence of a positive impact of CSR on competitiveness appeared to be in the cases of human resources, risk and reputation management, and innovation. For most of the competitive determinants examined, there was evidence that the impact of CSR is as relevant to SMEs as it is to larger companies.

Therefore CSR is generally accepted as a base model to achieve competitive advantage among EU economies because it creates conditions within the business environment where business organization is perceived as a synergy vehicle that creates and maintains sustainable growth and development. It comprises activities that ensure early adaptation to market needs while avoiding risks and meeting the expectations of a wide range of stakeholders. Business paradigm has changed from profit maximization to company's responsibilities to a broad range of stakeholders including employees, customers, clients, investors, suppliers, unions, community members, citizens and environment in general. CSR follows from a decision by management to expand traditional governance arrangements to include accountability

to the full range of stakeholders noted above. CSR in its core brings together business interests with interests of society (Hopkins, 2003; Baller and de Bry, 2003). Numerous authors emphasize a significant positive impact of CSR in the implementation of systematic activities that examine the impact of factors on the success that future operations have on the organization (Black, Härtel, 2004; Omazić, 2008) and therefore it is necessary for organization to embrace it as a basis for strategic development with no hidden intentions. It is not a static and linear concept, but the process of continuous negotiation and redefinition of what is feasible. The outcomes that corporate responsibility covers are changing over time and according to the cultural aspect. Activities associated with CSR typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits (Vogel, 2005). Being responsible is not a fixed, unchanging state that is established by applying some business activities in practice and how they are integrated into the business. Being responsible is more related to the willingness, capacity and capabilities upon which businesses learn and integrate changing expectations of society in their risk, change and opportunity management, as well as ways in which these business practices meet the demands of the business environment. CSR, therefore, represents actuality and keeps constantly changing its manifestation thereby altering the boundaries of possibility. It can offer a platform for short-term performance and long-term health of the organization, set proper aspirations and create a timeline for their achievement (Omazić, 2008).

It is not a new concept, but has gone through many transformations. In 1930s it was the time when moral and responsibility of businessmen came into spotlight of the research, in mid 1950s, corporate responsibility was developed more rapidly, but with no consensus towards the meaning of the term, while in 1970s, this concept was fully recognized (Baller and de Bry, 2003). With the awareness of issues like safety and health in the workplace and equal opportunities for all, as well as closely reviewed business practices by public, a company could no longer justify its existence only by its economic success or liability to shareholders. As they were perceived as social factors, companies that wanted to preserve their reputation, needed to pay a lot of attention to their social responsibilities and aim at a wider audience. Thinking about CSR went from considering it a part of the business entity social contract, to becoming a strategic part of every business practice.

There are many definitions of CSR. First, according to the World Business Council for Sustainable Development (WBCSD) CSR it is one of the three basic dimensions of sustainable development which is equal to the economic and environmental dimension and is defined as a commitment to the business world as well as to sustainable economic development. On the other hand, European Commission, CSR Europe, IBLF and similar organizations define CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (European Commission Green Paper, 2001). Other definitions include willingness of enterprises to consider and act on issues that go beyond narrow economic, technical and legal demands placed before the company, activities and concepts that are traditionally divided into the concept of environment, public relations, philanthropy and human resource management; different forms of corporate social responsibility: economic, regulatory, ethical and philanthropic, or, as it is called, altruistic or humanitarian (Lantos, 2001) and an ongoing commitment of the companies to behave ethically and contribute to economic development while at the same time improve the lives of their employees, their families, communities and society as a whole (Garriga and Melé, 2004).

However, no matter which definition is chosen, all the above mentionedshare the responsibility of the company and creation of value added activities. It is a primary set of strategic activities which have, as the final result, mutual benefit for the company and for certain social groups. Changing societal expectations have caused firms to consider more carefully their wider social responsibilities, not only out of altruistic reasons, but because of the need to consider the potential impact of their policies on stakeholder relationships. This should be even more critical during precarious economic climates (Lacey, Kennett-Hensel, 2010).

Measuring CSR in Croatia - CSR index

Croatia as a transitional economy is stagnating in terms of its social values development and this situation is intensified by the uncertainty of the business environment through which the country is going. The public policy and political system in place are still not supportive for CSR because relevant institutions are not educated enough and the regulations in place to concern environmental and social outputs of company's operations are often inadequately implemented, allowing companies which are not complying with it to have no additional burdens. In such a surrounding it is difficult to communicate the importance and long term benefits from implementation of CSR into everyday practices and moreover, there is very low public sensitivity to the importance of CSR implementation, while good practices have little or no impact on company's reputation and competitive advantage. Moreover, companies are not educated enough to apply responsible practices, don't see the reason for applying them and are not aware of the fact that they face higher risks, loss of qualified employees. In additio, this may and more expensive capital which is resulting in lower competitiveness on European market, lower employability, lower public budgets, and destruction of environment as well as lower life quality which eventually leads to unsustainable development and growth.

Project and methodology introduction

In 2006, Croatian Chamber of Commerce and the Croatian Business Council for Sustainable Development with the support of the United Nations Development Project (UNDP) in Croatia and Academy for Educational Development (AED) have launched a project to create a methodology for assessing voluntary CSR practices of Croatian companies named CSR Index. It started with signing the Cooperation Agreement which sought to present a common interest for mutual cooperation and consultation of all interested stakeholders to increase understanding of the importance of corporate social responsibility and development of methodology of evaluation of socially responsible practices among the members of the Croatian Chamber of Commerce and the Croatian Business Council for Sustainable Development. Ultimately, the goal of a signed agreement was to initiate the award design that would valorise responsible business practices of companies and the best of them annually awarded. All major stakeholders were invited to join this CSR alliance named CSR Platform such as:

business and business related associations:

• Croatian Business Council for Sustainable Development,

• Croatian Chamber of Commerce,

• Croatian Employers Association,

• Croatian Bank Association,

• Croatian Competitiveness Council,

• UN Global Compact in Croatia,

academic, scientific and research institutions

• Faculty of Economics and Business - University of Zagreb,

• Institute for social research "Ivo Pilar",

• Economic Institute Zagreb,

• Zagreb School of Economics and Management,

international and local non-profit organisations

- Green action,

- Consumer Association,

- Heinrich Boll Foundation,

government and public institutions

- Ministry of Economy,

- Ministry for environmental protection and physical planning,

- Office of the Chief Negotiator with EU,

- Croatian Trade Union Association,

as well as some other stakeholders such as Delegation of European Commission in Croatia and all relevant media. Criteria upon which they were chosen was their interest in playing an active part in the project and their capacity to perform and influence others. Some of the goals for the initiative were that it should be able to create better media attention to the activities done around integrative approach to CSR; promote CSR's relation to proactive risk management policies; factor better coordination of all activities within CSR field among all identified stakeholders; encourage proactive engagement of higher governmental and business representatives; CSR's relation to proactive business strategy;...

One of most important vehicles for fulfilment of previously mentioned goals was the creation of methodology for the assessment of CSR practice of Croatian business organizations – the CSR index. Therefore within CSR Platform initiative the index was created by a group of local experts according to similar methodologies, such as the Dow Jones Sustainability Index, FTSE4Good Index and Business in the Community CR Index. Although the extent and nature of CSR programs vary greatly from one organization to another, the aim of the methodology was to create common ground and allow Croatian companies an objective assessment/benchmark of their socially responsible practices and comparison with other companies. It included self-assessment in six main areas defined with a set of criteria developed according to their relevance, availability and verifiability (1) economic viability and sustainability, (2) inclusion of CSR in business strategy, (3) working environment and HR practice, (4) environmental protection, (5) market relations and (6) relations with the local community. A complex set of indicators was determined for each category that was translated into a set of related questions whose answers gave adequate, measurable and verifiable information. Prior to its official release, as a part of methodology design, a pilot project was conducted with 16 companies where decision makers/managers gave their comments on all unclear questions and open issues. After processing all the comments, the current form was set with six dimensions of maximum 600 points altogether, 100 points for each of the six categories.

It was decided that an opportunity to participate in the evaluation is going to be given to economic entities which were rated as most successful in the Republic of Croatia for the past fiscal year. These criteria included a range of financial indicators of business efficiency with which companies are ranked. In order to have better coverage, it was decided that access and participation in the contest is going to include 500 best rated small (less than 49 employees), medium (from 50 to 249 employees) and large (with 250 and more employees) business organisations which met the previously mentioned criteria. Those companies were contacted via e-mail that was directed towards the key person within each of them. The questionnaire itself was located on the website of the Croatian Chamber of Commerce and needed to be completed on-line. It contained 119 questions for medium and large entities and 61 questions for small businesses. Completing it, in order to protect the confidentiality of data, was enabled by entering separately assigned user name and password to every economic entity. It was decided that the questionnaire was going to be on-line for a period of no more than two weeks.

The data obtained from the completed questionnaires will provide the first comprehensive insight into the socially responsible practices of Croatian companies and identify the areas where it is possible to achieve concrete and constructive steps forward, and thus facilitate further economic growth and development of Croatian economy.

Phase one

On November 12th, 2008 the first phase of the project started, when 1,364 best small, medium and big companies according to previously mentioned criteria were invited to the fill on-line questionnaire. On November 17th, 2008 the project was publicly promoted for the first time at a press conference, and on December 1st, 2008 the on-line application was closed. According to the data, 152 (11%) companies opened the questionnaire, but only 32 (2.4%) of those closed it. These were 9 small, 12 middle and 11 big companies. The highest score realized was 523,02 points out of 600 or 87% of maximum, the lowest was 94.47 points (16%), with and average of 309.78 points (58%).

The Expert Committee made a decision to give an acknowledgement for pioneer role in CSR promotion in Croatia to all companies which had closed the questionnaire and award all of those that had score higher than 75% of maximum 600 points. These were Coca-cola HBC Croatia Ltd., Dalmacijacement p.l.c., Ericsson Nikola Tesla p.l.c., Hauska & partner Ltd., Holcim Croatia p.l.c., Končar – Institut za elektrotehniku Ltd. and Vetropack straža p.l.c.

Phase two

The second phase of the project started on November 4th 2009. This time, 1,450 best small, medium and big companies were invited to participate and 199 (13%) of them opened the questionnaire. On November 18th, 2009 the application was closed and by then, 42 (2.89%) companies finished and closed the questionnaire. These were 12 small, 12 middle and 18 big companies. From the above data it can be seen that the number of participating companies has slightly grown, i.e., by 0.49%. The highest score this time was 539.82 points out of 600 or 90% of the maximum, the lowest was 107.41 points (18%) with an average of 331,81 points (55%).

Again, best companies in the field of corporate social responsibility were awarded CSR Index Reward. To win the award, sustainable development was among the most important requirements and their promotional activities had to demonstrate that social responsibility can be improved in the future. The award was given in three categories, for small, medium and large companies. Euro-Unit Ltd., Hauska & Partner Ltd. and Oikon Ltd were awarded in the category for small business; Hartmann Ltd., Koncar – Institut za elektrotehniku p.l.c. and Atlantic Grupa division for health care – Neva p.l.c. were awarded in the middle business category and Cemex Croatia p.l.c., Ericsson Nikola Tesla p.l.c. and Holcim (Croatia) Ltd. in the category for large businesses. Moreover, there was one additional award for most progress of CSR in relation to last year and was awarded Banco Popolare Croatia p.l.c.

Even though the methodology behind CSR Index is of highest quality, the ranking process and the Award ceremony for the best CSR companies did not receive much attention among the companies, customers, media and general public. The authors of CSR Index wish to use the resources of this project to further raise awareness of the importance of CSR implementation by promoting CSR Index.

Conclusion and continuation of the project

A couple of years ago some claimed that capitalism is at the crossroads (Hart, 2005), others asked if a corporation has a conscience (Goodpaster, Mathews, 1982)? It is true that we have grown to live in tough times and the companies do have a different role in a modern society. Businesses are realizing that gaining short-term profits at the expense of social responsibility is not likely to lead to longer-term viability (Hopkins, 2003). There are a number of financial ratios and other benchmarks that can be used

to document the questionable future company's role within a society after the formal recession has ended (Kumar, Tiwari, 2011). Managers must engage, and firms must hire managers with the ability to do more than just manage the financial issues (Kemper, Martin, 2011). The more recent BP's oil spill in the Gulf of Mexico has eroded trust in the ability of business to behave and act responsibly even further. Companies are still driven by competitive pressure on highly turbulent or some would even say chaotic markets. The traditional concept of an organisation being led by single authority, is nowadays obscure and a very incomplete appreciation of what true leadership must be. In the modern age good leaders are an enabling force, helping people and organizations to grow and develop, which implies that a sophisticated alignment be achieved - of people's needs, and the aims of the organization. Accordingly responsible ways of doing business are becoming necessity. Such developments have challenged the effectiveness of the voluntary approach to CSR. The CSR typically defines stakeholders more broadly and is more concerned with the company's responsibility to the society without any tight regulation system. Many describe CSR as acting beyond law (Visser, Matten, Pohl, Tolhurst, 2007; McBarnet, Voiculescu, Campbell, 2007; Crane, McWilliams, Matten, Moon, Siegel, 2008). Such an approach recognizes an informal contractual bond between business and society, whereby society provides essential resources to businesses in exchange for social benefits. CSR is not a new idea, but corporations still struggle to apply it to their own circumstances. Increasingly, they see CSR as a business proposition. Offend or ignore any significant stakeholder group for too long and you put the health of the corporation at risk. Therefore, CSR is becoming more and more important as a model that lies right at the intersection of competitive advantage and sustainable development, combining economic, ethical, social and ecological expectations of the business context. It is also more and more perceived as a preferred form of business paradigm that is formulated through concrete strategies in the development of business systems while at the same time it is seen in direct contribution of stakeholders to improve the quality of life, social issues and sustainable economic development. Companies are not just fighting for our minds but also for our hearts, for human cognition, emotion, motivation and will.

Croatia is still trying to define its system of social values. One of major obstacles is fact that public policy and political system in place are not supportive for CSR therefore, companies are not benefiting from responsible business behaviour. Relevant public institutions are not educated to support CSR practice, and relevant regulatory framework (esp. concerning environmental and social outputs of company's operations) are often not being enforced properly, allowing companies that are not complying with it to get away without any penalties. This situation creates dangerous environment with no business sense to invest into development of responsible practices. In such a surrounding, it is difficult to articulate the importance and long term benefits coming from implementation of responsible practice. Nevertheless after two consecutive years and successful implementation of CSR Index since 2008, it was clear that the project was ready to be taken to a higher level. In July 2010 the project got its funding from the structural CIP pre-accession EU fund.

The general objective of the project is to raise the level of understanding of the importance of CSR in Croatia. To achieve this objective, it is important to connect all existing activities concerning CSR. Therefore, the aim of this project is to develop an alliance of the existing CSR activities performed with various organizations and to create a joint alliance that would give added value to future efforts. It was clear from the beginning that very few companies understood all the benefits coming from integration of responsible practice to all activities. Many thought that it is another name for public relation practice. Croatian National Report on CSR practices done by UNDP in 2007 showed that CSR in most Croatian companies is declarative, meaning that CSR is often mentioned in missions and visions of companies but it was not integrated within strategies, business plans and evaluation processes. These constrains could only be overcome by systematic education of a large range of all the interested. Therefore workshops in all major Croatian cities on CSR issues are going to be organized prior to the release of CSR Index in 2010. Another important thing is that it was decided among all parties involved in development of CSR Index that an expert agency will be in charge of development and deployment of communication strategy and all the following activities which will be conducted to promote CSR Index and the CSR Award. The communication strategy will be developed and conducted prior to the ranking period in order to raise awareness of the general public and the media for the award and the ceremony itself will raise publicity of the winner companies and their benefit of participating in the CSR Index. Additional encouragement

to the whole project came recently when the Croatian Chamber of Commerce decided to integrate CSR Index into its annual award ceremony that gathers high level officials, top management of best Croatian companies, EC representatives and media giving maximum visibility to the whole project.

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REVITALIZING BRAND CEDEVITA

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Abstract

Market is dominated by brands. Most consumers highly evaluate brand experience while it provides them with a set of valuable information on what they can expect from a particular product when making buying decisions. Brands have become a culture of life, very often a status symbol. The role of brands in the lives of consumers is growing and needs to be managed properly. During their existence brands can face many ups and downs but they do not follow the classical product life time pattern. Brands can be rejuvenated and revitalized by giving them a new life. With the opening of the Croatian economy many national brands were not prepared to take actions in the competitive environment and become endangered by the presence of imported brands that were not available on the market before. Many domestic brands did not make it and simply had no other choice than to capitulate. Some of them on the other hand managed to withstand the pressure of newly arrived brands and after a planned revitalization process they found their way back into the game. One excellent example of a successful revitalization process is the brand Cedevita: it has recovered well and today is one of the most respectable brands in the category of soft drinks, teas and candies in the region.

Keywords: brand revitalization, marketing, sales, Cedevita

INTRODUCTION

Building a brand, the generic uplift

The main purpose of using any product or service is to satisfy a particular need or desire. In order to attract customers a particular product has to give more than the competition does (e.g. lower price, better quality and nicer design). Trying to satisfy their customers companies actually create brands (Previsic and Ozretic Dosen, 2007). Customers either accept or reject such activities. Acceptance increases the frequency of using the product as well as the number of users leading to an increase in the popularity of the product. Consumers consciously agree to buy the product assigning it a status of brand (Tomasevic Lisanin, 2010). On the other hand ignoring consumers sooner or later leads to the rejection of brand and lowering it to the generic product.

Brand equity

Brand equity is a concept that was introduced in marketing literature during 80-ies and since then many experts defined brand equity as well as its dimensions. There are at least three perspectives (Anderson 2007) that can be observed.

- The perspective of cognitive psychology - based on customer, claims that consumers who are more closely related to a particular brand (stronger brand equity) will respond to marketing mix activities more favourably than the others. (Aaker 1991, Keller 1993).

- The perspective of brand extension - usage of existing brands to enter new product category (Aaker, Keller, 1990). Brand extensions in comparison to the new brands have lower advertising costs and higher sales (Smith Park, 1992).

- Financial perspective - claim that brand equity is a financial measure which can be calculated by subtracting the value of tangible assets out of the market value of the company (Simon and Sullivan 1993).

Brand life cycle

There have been many discussions whether there is a brand life cycle or not. It is well known that every product has its life cycle and it was proved that every product eventually comes to its end. Because brands are assets, companies try to make them profitable as long as possible. They tend not to believe in the brand life cycle (Vranesevic, 2007). This is why despite the chance of their sales coming to a minimum, or even after a number of years of inactivity, it is common to witness efforts to relaunch this activity. A well-managed brand can be totally independent of the state of the product, because it has the ability to rejuvenate and revitalize, where new products or services can return the brand to the top. Many studies show that brands who were leaders in a category are in the same position today (Kapferer 2008). Even if the brand starts to decline, someone can buy it and thus "give it a new life."

Brand revitalization

There is a big difference between respecting one's roots and cultivating the past. Brands are able to outlast the classic life cycle and become "eternal". Like a product the brand also encounters saturation threat which causes stagnation and decline and can be faced with its own extinction what is most evident through the reduction of sales. Management usually tries to assign such sales reductions to the cyclic drop of sales that is usually recovered after a while. But that appears to be just putting off the problem. More responsible ones will attempt to diagnose the problem and try to find out whether all brands within the category are experiencing the drop of market demand or it is just their brand that is in a problematic position. In case the sales reduction period lasts for several months or years every brand manager has to consider taking one of the following steps (Light, L., 2009):

- Revitalization

- Temporary revitalization

- Selling

- Shutting down

While some believe that once a brand is simply worn out they are happy to have whatsoever sales following the principle "while it lasts it lasts" which often results in selling the brand or shutting it down, others are trying to do everything to revitalize the brand. However, after making a decision to revitalize a brand, companies find many obstacles on that way. Any attempt to revitalize a brand presents a new cost for the company and many cannot afford it easily and sometimes have to give up the revitalization process. The rest of them that have not cancelled the revitalization process have to make thorough action plans of saving the brand.

At the beginning of the brand revitalization process it is necessary to conduct market research to discover the consumer opinions, attitudes and preferences. Some of the key questions covered in the research are:

- Do you recognize our brand?

- Do you consume our brand?

- How do you distinguish our brand from other brands in the same category?

- Do you have pleasant associations with our brand?

- Do you have fresh or old memories connected with our brand?

- Is our brand in a better or worse position in relation to our competitors? What our competitors does, and our brand doesn't have?

- Does the price justify the quality/quantity?

- How relevant is the brand?

- What do you suggest that we could add to our brand? What is crucial for your decision to buy our brand?

Ways to revitalize the brand

The overall brand revitalization goal is to bring a brand back to life. There is no general rule or scheme by which the product is supposed to revitalize. Each brand is unique, even though the product does not have to be. Each brand has its own "soul", and that is exactly what distinguishes it from generic products. A different brand leaves different impression on the consumer. Although the lack of evolution in a brand's outward signs indicates its lack of interest in attracting new customers, a brand is too complex to focus only on its packaging, distribution method, taste etc. Most brand associations are not related to physical characteristics but those unobservable. Certain brands also come to a standstill because they remain associated with the same images. Revitalization is based on updating the overall offer of the brand while staying true to part of its identity. Many experts bring their own thoughts and recommendations about the brand revitalization. Kapferer (2008) suggests a guide on brand revitalization as follows:

- Redefining the brand essence. Even forgotten brands have an internal meaning, a domain of legitimacy to be exploited. The first task of revitalization is to understand which values of the particular brand still have a high meaning and which have lost meaning. It is important to analyze the associations old brands have left in people's memories to see what is left about brand essence, what potentials emerge from it and what market opportunities could be met. The real potential usually lies in the latent associations and the role of marketing is to choose the right set among these buried positive associations.

- Revitalizing through new uses. The revitalization of a brand usually follows new paths that are very different from those that led to its initial success. Revitalization involves establishing new parameters for the brand. Since its original consumers are no longer able to ensure its success it has to attract new clientele, develop new user occasions, new distribution channels and new consumer networks. Innovation is therefore central to the revitalization of old brands.

- Revitalizing through distribution change. It seems that a classic revitalization strategy is to use known brands in different distribution circuits. The most common change is in the use of "push" marketing rather than "pull" marketing.

- Revitalizing through innovations. In order to prevail various market threats and to run with new consumer trends every company has to evolve the brand constantly. The first step is to re-establish the conditions that would create a favourable economic equation and the second step is to attract younger customers.

- Revitalizing through segmentation. Brands usually have an opportunity to segment the lines and to sub-brand them in order to preserve freshness. Deeper targeting leads to new ventures.

- Revitalizing by contact with opinion leader. Ageing brands have generally lost contact with the trendsetters in their category. Advertising and product innovation will be of little use when there is no active support of trendsetting tribes. Reactivation of direct contacts and emotional experiences is difficult but that is an important part of any comeback. The proximity today means bumping into lives of the target group, not just being there hence it is important to create multidimensional events.

- Revitalizing through 360° communication. Communication directed to all spheres of consumers' life promotes a platform expressed through 360° via global advertising, events, parties with celebrities, partnership with luxury resorts worldwide, product placement etc.

- Changing the business model. Although the revitalization is usually attributed to "the brand" it has to be supported by a valid business model. What makes an ailing brand more valuable is the new business model on which it can rely.

CEDEVITA

Cedevita Ltd. is the most famous Croatian company involved in production of instant - drinks, teas and healthy confectionery products. The brand was established in 1929 as a part of the Pliva Company, the famous Croatian pharmaceutical company. Cedevita instant vitamin drink has undergone several changes over time. In July 2001 the Atlantic group took over the Cedevita Ltd.

Picture 1. Chronological review of the redesign of packaging Cedevita vitamin instant drink up to 2010.

Source: Custom

Cedevita instant vitamin drink is Cedevita's most famous and best selling product. Originally it was located in the category of auxiliary healing products. The product was a success but at that time it was the only product on the market offering vitamin supplement. The product was repositioned twice. In 1987 Cedevita vitamin instant drink was moved into the category of dietetic food products, while in 2001, with the change of the ownership, it was positioned in dietary supplements where it still is today.

Cedevita experienced many ups and downs it its lifetime. The brand Cedevita has been protected and received a support from the government to sustain and overcome all difficulties the Croatian companies faced in the closed economy model until 1990. Until that time low domestic competition in soft drinks, protected from entry of foreign competitors and price availability, enabled the brand to grow and increase its market share.

After the war and market opening Cedevita was faced with many challenges. Foreign brands entered the market and lay down the competition game while Cedevita was not ready for new rules and not prepared to make a switch. Consumers perceived Cedevita vitamin drink as an quality product, but imported products caught their attention and curiosity tempting them to try something "new" and previously not available. Cedevita experienced a great sales drop and the brand was losing popularity. Consumers started to perceive the product as "not trendy", but also as a product for someone who could not afford

already prepared soft drinks. The image was damaged, sales were down and it was faced with a serious brand saving alert.

As Atlantic Group took over the business in 2001 it made numerous changes and took revitalization steps to bring back Cedevita's favourable status.

Cedevita product line

Cedevita – vitamin instant drink	Candies	Teas
CEDEVITA - Orange - Lemon - Lime - Grapefruit - Wild berry - Tangerine - Red orange - Cranberry	**CEDEVITA CANDIES** - Orange - Lemon - Wild berry - Green apple - Cranberry	**CEDEVITA TEAS** - Cranberry & Pomegranate - White - Rosehip with hibiscus flower - Chamomile - Mint - Indian black - Green - Wild berry - Orange with Cinnamon - Jasmine - Lemon & Mango - Tangerine & Peach
CEDEVITA LIGHT	**PEPERMINT** - Original - Orange - Strong	**NATURAVITA** - Uvin H - Marshmallow - Mallow root - Chamomile - Sage
CEDEVITA KIDS	**RONDO C** - Classic – Pinapple - Watermelon mint - Kiwi mint	**ICE TEAS** - Rosehip - Cranberry and pomegranate - Peach
CEDEVITA 15G - Lemon - Orange - Grapefruuit - Red orange - Lime - Cranberry **CEDEVITA GO!** - Lemon - Orange	**VAU VAU**	**VITAMIN C** - Vitamin C - Vitamin C without sugar

REVITALIZATION OF CEDEVITA BRAND

Revitalization of Cedevita brand can be described in six key stages:

1. Organizational refocusing

Organizational refocusing starts with redefining goals, vision, financial discipline, operational excellence and leadership marketing.

Unreal and misplaced objectives often lead to brand failure and bring up the brand revitalization issue. Before redefining its goals a company has to reevaluate its vision and mission statement to be able to guide a way forward. Finances are the most important factor in the process of revitalizing a brand while strict discipline in expenditure is needed. The company should find a way to create money, become profitable again and cut costs intelligently. Operational excellence implies focusing on products and activities that are more often consumed and still have the power to attract new customers. In order to do that Cedevita has conducted extensive market research and found a solution in line extensions and enrichment of products. Change in consumer behaviour and quality standards were another important item to work on. In times the brand weakens, a company is tries to reduce costs at every activity and therefore is in danger of lowering the quality. Consumers are very sensible to the change of quality and notice it very quickly. They might soon stop purchasing the product, start to perceive it as unattractive and change associations connected to it. At the end all the savings made on the account of quality can turn to be too expensive. In case of Cedevita quality was preserved all the time and consumers never had a feeling of being deceived. Quality persistence was the major lead to restoring consumer confidence once again. Financial discipline and focus on operational excellence are base requirements for building an effective marketing. Leadership marketing is not defined by company size but rather by the size of ideas. To gain the reputation of being the leader in marketing the company has to engage the most knowledgeable human resources in the field.

2. Restoring the brand relevance

Although brand relevance is the key sales driver, in the future when there is no consumer confidence, brand relevance and differentiation are doomed to fail. In order to restore the relevance of the brand, it is necessary to learn about the market and try to find what consumers want, understand how the market works, recognize the market segmentation and prioritize it, create a picture of the customer's needs (Light, L. 2009).

According to market research the brand Cedevita has lost its relevance and it was a clear indicator of the inability for future growth. Consumers have lost confidence in the brand because the brand was not adequately transferred to consumer values. The mere perception of the brand was not negative, but neither positive enough to encourage the purchase of Cedevita rather than the competing products.

The instant vitamin drinks market is relatively small and Cedevita was always a very important player on that market. However, it was not enough to only act and to focus on such a narrow segment in order to secure growth. It was necessary to find new consumers or increase the frequency consumption of the existing ones. Before 90ies the soft drink market was also relatively small and most of the available products were locally bottled soft drinks based on orange or cola taste. During 90ties, after opening of the market new products were imported and many supermarkets quickly put those products on their shelves: Cedevita was instantly surrounded by competition. Many brands of natural juices, ice teas and an increase of availability of carbonated soft drinks (Coca-Cola, Pepsi, Fanta, Sprite) put Cedevita aside in the consumer's mind. Consumers no longer wanted to have to prepare their own drink when it was possible to buy already made ones and it was more "in". New flavours, attractive packaging design and advanced marketing communication pushed Cedevita vitamin instant drink out of the market.

Before the Atlantic group took Cedevita over, much market research was done to get the estimation of viability of investments as an attempt to revitalize the brand Cedevita. The results of research about consumers' perceptions and preferences were directed to the company and the brand.

It was detected that there were lots of potential consumers but there were also many indications that the new market segmentation was needed. After a thorough analysis of strengths, weaknesses as well as threats and opportunities selection of the segment for targeting was made. At the end the profile of a typical consumer was described. Cedevita wanted to attract a young person from 18-30 years old, practicing sports, living a hasty life, someone who needs refreshment while moving around.

The first step to attract such a person was to change the current status of Cedevita consumption. At that time Cedevita was still mostly regarded as a family drink and consumed at home.

Cedevita considered a serious change in consumer behaviour and started to develop new products and flavours. A change that followed was the result of revitalization process. Cedevita tried to respond to the consumer needs and desires by offering new flavours to them. Cedevita grew a strong brand by providing functional benefits for the consumers but also by attaching emotional value highlighting the brand's personality.

3.	Reinventing the brand experience

Cedevita promised a different experience and in order to keep the promise Cedevita has to innovate, renovate, focus on marketing, keep an eye on consumer perception and be fresh all the time. Cedevita had to pass a total brand experience into life by using new promotion and sales strategies. The key of revitalization processes were the changes in the product, promotion, and at the point of sale.

Change in product

Consumers are very responsive to the changes in product quality. They choose a relevant brand that gives them maximum perceived value. Consumer habits are changing and the product development has to follow the pattern of that change. Cedevita responded to the market research signals and started with creation of new flavours, using high quality raw materials and engaging the new technology. In the revitalization process Cedevita expands and deepens its range.

The most significant examples of innovation and renovation were expanding and deepening the product line in categories of Cedevita instant vitamin drink, Cedevita teas, and Cedevita candies.

CEDEVITA INSTANT VITAMIN DRINK

• Cedevita instant vitamin drink packed in 15g sachets was a major success entering a new distribution channel in 2004. From then on Cedevita was available through HORECA. Cedevita HORECA made 23% of total sales of Cedevita instant drink in 2009.

• Cedevita GO! was the greatest innovation. The project was worth 10 million Euros and after 6 years resulted with the patent of a new package solution. The objective of innovation was to enter a new target market. It was created for all those who live on constant move and actively enjoy their free time. This innovative solution consists of a cap containing Cedevita powder and a bottle filled with spring water. By introducing Cedevita GO! Cedevita entered direct competition with all substitutes in the category of soft drinks - Coca-Cola, Fanta, Powerrade-in, ice teas, juices and dense waters. Due to poor pricing policy (RP. = 8.99 HRK) the product did not live up to the expectations. Cedevita Go! won only 3.3% of the market share on the market of non-alcoholic drinks and made 11.0% of total sales of Cedevita instant drink. After a year the price was reduced to 5.99 kn.

• In-depth extensions of instant vitamin drinks were supported by new flavours (Tangerine in 2003, Red Orange in 2007, Cranberry in 2008, Lime in 2009) which brought more choice for the demanding consumers. Following the market trend Cedevita also stopped the production of apple and tropical fruit flavours.

CEDEVITA TEAS

Cedevita teas added new value and increased the brand image and improved the consumer perceptions of the brand. The Atlantic group also took over Pliva's teas which hold 10% of the total tea market in Croatia. After a year the teas were positioned under the Cedevita brand. Over the past 8 years Cedevita has doubled the available flavours and holds about 20% of the tea market. As the second biggest tea producer in Croatia it keeps strengthening its position in the region as well. The biggest competitors are Franck with 48% of the market share and Podravka holding a 12% of the market share. The range of Cedevita teas consists of consumable teas, herbal teas and iced teas.

- Cedevita consumable teas became available in more convenient packaging. Putting each tea bag in its own protective pouch to preserve freshness and aroma of the tea started to be more tempting to consumers. Maxi economic packages were also a good idea.

- Cedevita ice teas were launched in May 2010 in bottles of 0.5 l in order to further expand the market of soft drinks, but also maximize the capacity of production and distribution.

- Naturavita was the extension of medicinal teas. This product dominates its category. Like Cedevita consumable teas, Naturavita packaging is also redesigned and is now nicer and more convenient.

CEDEVITA CANDIES

- Widening the range of Cedevita candies from only two flavours (orange and lemon) to six flavours (wild berry, green apple, pomegranate, Kids) Cedevita made new choices available and gained a new step in its positioning in the mind of consumer.

- Deepening the range of Rondo C from one flavour (pineapple) to five flavours (peach, grapes, melon and kiwi mint) was another try to upgrade choice.

- Widening the range of Peppermint candies from one (original) to three flavours (original, strong, orange) was the last flavour extension.

Changes at the point of sale

Point of sale is the physical location at which goods are sold to customers. It can be a web site, restaurant, office, waiting room, hotel room, van or truck. Consumers like to find their preferred brands in nice, clean and tempting positions. It is therefore necessary to insist on excellent sales point conditions for Cedevita products: well placed and always visible. At the time when the Cedevita products solds within the range of Pliva in pharmacies, the products were often poorly visible and were bought only in case somebody came to the pharmacy with the intention of buying it. When Cedevita GO! was launched, products were placed in refrigerators, which are found in supermarkets, tobacco's shop, gas stations, cinemas, etc. That way Cedevita makes consumers more exposed to the Cedevita products. Cedevita has worked on better positioning of all of its products. Packaging of 1 kg powder was located on the lower shelves, and those of 500g and 200g were higher up at more eye catching positions to ensure visibility. Cedevita candies were located beside the cash register together with chewing gums and chocolate bars which were also distributed by the Atlantic.

Changes in promotion

Promotion is much more than mass advertising. The overall aim of promotion should be to increase a brand value and encourage the acceptance of brand as part of the culture. Cedevita has invested substantial resources in promotion by using various marketing tools contributing to all market segments informing customers on all innovation and changes. It is very difficult to analyze all the promotional activities Cedevita has undertaken in the last 9 years contributing to the brand revitalization. The most

important actions were the change of the packaging (labels, fonts, colors, shapes) and the campaigns for the introduction of new products.

Picture 2: Clip from campaign of introducing of new product – Cedevita GO!

Source: www.atlantic.hr

Reinforcement of the Result oriented Culture

Objectives and results should be measurable, achievable and realistic, but expressed qualitatively, quantitatively and temporally. To set targets properly it is important to study the market and the competition as well. Based on the previous experience production, sale, distribution or any links necessary for placement of products on the market were often lower than they should have been. Therefore, the expectations of management are often lower than they should be. That leads to misleading decisions.

Different understanding of growth

The purpose of existence of a company is to achieve revenue and profit. However, the way in which we achieve it is important. It is not the same if we have achieved growth by way of reducing the quality of product or service to reduce costs (low quality growth), or by increasing the quality of product or service while the price remains the same (high quality growth). At that point, and revenue and growth are equal on paper, but for the future of the company they are not. While low quality growth destroys, high quality growth creates connectivity with the customers. Because of increased product quality, we sell more and earn "quality" profits that are reflected in capital markets and create sustainable growth in the market value of the brand. In order to create market value it is necessary to change the perception and managing from product management to brand management.

Loyalty

Loyalty can be viewed as a ladder where each step reflects the recognition of brands. Consumer satisfaction with a brand or a product increases loyalty. The goal of revitalization is to find out what is important for gaining consumer loyalty. The main brand recognition elements are: to serve a purpose (usually decides the price), consumer's narrow list (preferred choice of consumer brands), preference (preferred choice of brand), enthusiasm (brand, whose purchase the consumer prefers although the invested / analysis obtained on second place).

Balanced brand-business scorecard

Creating value is the primary task of every company. Increasing customer satisfaction has a direct impact on the value of brand and company. To control the brand a company must constantly take care of many factors. Every year or every six months it is necessary to take a number of analyses in order to make decisions and actions that will lead the brand toward better results. Some of the necessary analyses are sales, market share, profit, brand strength, brand image, brand loyalty or brand equity analyses. Direct consequences of all the decisions a company makes concerning the consumer responses to them are reflected in the sales or the market share. In case of Cedevita the revitalization process had the following effects on the sales and market share:

- The sale of Cedevita instant drinks in the past 10 years has doubled.

- The share of Cedevita vitamin drink in the category of soft drinks grew at 7%.

- The share of Cedevita vitamin instant drink on the vitamin drinks market fell from 95% to 90%.

- Cedevita's share in the consumption of unalcoholic beverages in the households is 44% higher and occupies the first place (2nd place Jamnica -33% and 3rd Coca-Cola - 28%).

- The share of Cedevita teas on the teas for consumption market is 20% taking the second place (with 48.5% Franck is 1st, and Podravka with 12% is 3rd), an increase of 100% compared to the pre-revitalization period.

- On the candies market, Cedevita holds the second place per share and sales (21%), with just Wrigley, the leader in this category ahead of them.

- The share of Naturavita medicinal teas on the market occupies the high (90%) position.

Rebuild brand trust

A powerful brand is not just a trademark, it is a trustmark. Trust is necessary if we want to maintain loyalty. There is no loyalty without trust. It accumulates over time but it can be lost overnight. Trust is

the comfort of a brand, because it minimizes the risk perceived by consumers and makes it easier for them to accept the new products and the new brand information. Rebuilding a trust to Cedevita brand upon completion of prior actions in order to revitalize the brand, without additional costs was a logical sequence.

Realize global alignment

When a company operates in several regions all actions must be coordinated. All the regions follow the same vision, and share the same priorities. But due to market differences and consumer cultural differences some autonomy in decisions making is needed. So, the actions in these markets should not be standardized but harmonized. As part of the Atlantic Group portfolio Cedevita is present in foreign markets e.g. Slovenia, Serbia, Bosnia and Herzegovina, Macedonia and Montenegro. As such, Cedevita products are distributed through the Atlantic distribution centers. The distribution centers of the Atlantic Group are show in picture 3. There are annual targets of all the distribution centers that are adapted to the market on which they are implemented. Autonomy is in the way of achieving those goals, but the objectives are decided by the CEO.

Picture 3. Distribution centers of Atlantic Group
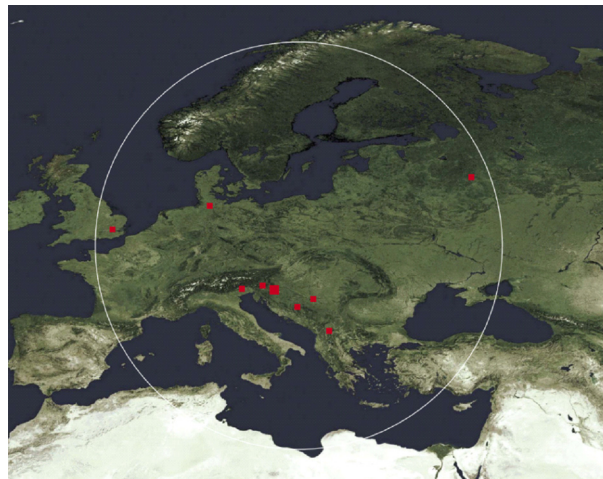
Source: Internal materials

Conclusion

Well managed brands representing a good product bind a series of positive factors. Identifying these factors is the obligation of every company which requires professional and creative personnel. Depending on the market, the time for identification and response is relative. Not identified negative factors (if they occur) can turn the brand off. In order to successfully revitalize the brand it is necessary to determine the goals of revitalization, and insist on their achievement with all available means. Revitalization is not a single act, it takes time so the management has to be patient and to take careful steps. Cedevita is one of the brands which were threatened by negative factors such as the unpopularity, obsolescence and indifference. Luckily the sluggish and slow market gave Cedevita enough time to react and make a saving plan. Atlantic took over Cedevita at a time when revenue began to stagnate, but leaving the negative effects on consumers was much more serious. Although consumers always had a sense of familiarity with the brand, they did not express willingness to consume it. That was a trigger for starting

a revitalization process. All actions that were taken in the last 10 years were successful and Cedevita is today considered a revitalized brand.

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ESTABLISHING NETWORKS BETWEEN THE KNOWLEDGE SOCIETY AND UNIVERSITIES: CASE OF BOSNIA AND HERZEGOVINA

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Abstract

This paper examines the relationship between the knowledge society and universities. Within the research, universities are represented as joint or individual higher education institutions, higher education employees and students. The knowledge society is viewed from the economical aspect and derived to markets, and at the bottom line, companies and their employees. Special focus of this paper is on the situation in Bosnia and Herzegovina, its higher education system, institutions and job market. Through conducted qualitative research, clinical focus groups and interviews, and on the basis of the previous research findings and secondary literature sources, evidence is found of many different types of networks between universities and the knowledge society. Therefore, an analysis of the cooperation areas is conducted and an insight into the existing tools and methods for establishing better relationships between two segments is offered, as well as the possibility of tailor-made strategies development. Based on that analysis, new trends are identified and original strategies can be derived and designed. Some of the recommended tools and methods are: external advisory committees, student careers bodies, distance learning systems, student competitions, company cases, job fests, internships, and scholarships. There are proofs that these tools and methods help in creating better networks and fulfilling the needs of both segments. The paper offers recommendations on how to proceed and further the cooperation between the knowledge society and universities in Bosnia and Herzegovina.

Key words: services marketing, the knowledge society, higher education, students, employment

Introduction

There are many new trends and changes that 21st century brought to the global society. For example, the importance of the main pillars of the economy is shifted, and now, in the developed countries, up to 70% of the GDP is linked to the service sector. At the same time, countries are ageing and on the other side, fertility rate is reduced for 1.3 or less. Trends are changing within households too, in terms of the number of household members, income, lifestyles and family issues. Improved life style has resulted with more senior citizens and reduced work force within the community. These is evidence that the importance of higher education for the society is increasing. There is a need for creating better networks between education and society, and hence the accent is placed on premium, quality education. Degrees are becoming more relevant and quality education is the new learning paradigm. At same time higher education is facing an unprecedented economic downturn worldwide. These trends are also true for Bosnia and Herzegovina and the South-East European (SEE) region.

Kessels and Kwakaman (2006) state that integrating work-based learning in the university curriculum seems to provide opportunities for higher education to connect with the knowledge society. Within the past

decade, a whole new phenomenon has emerged, the concept of corporate university, which was defined as the institution that seeks to bring education and work together, for the mutual benefit of both (Taylor and Phillips, 2002). While traditional universities yet cannot compete with the real corporate universities (Blass, 2005 and Walton 2005), there are certain efforts towards creating more efficient bonds between higher education institutions in general and practice, especially when it is shown that the need for such a relationship is a necessity. Cooperative education that arises from it is one of the strategies that help institutions for higher education to establish knowledge relations between formal education and knowledge intensive workplaces. The need for close relationships and for building knowledge networks of higher education and work environments in a knowledge economy is based on the assumption that the transition between formal education and the world of work has to be facilitated (OECD, 1999), and that knowledge development, knowledge circulation and knowledge valorisation between higher education and organisations should be intensified (OECD, 2000). In these knowledge networks improvements and innovations may occur that are essential for the development of a knowledge economy.

Higher education institutions are the places from where the societies are finding the base for information, then deliver and apply it. Moreover, it is the place where people who are required to bring innovation with required abilities, skills and attitudes are trained (Dalayn, 2004). Mr. Barack Obama, President of the USA (Fikac, 2010) spoke at the University of Texas, in August 2010 on the importance of the relationship between education and economy, where he drew the connection between education efforts and economic improvement of USA.

The main aim of this research is to analyze the cause of this issue by giving broader overview of tools that could make greater networks between higher education and economy and consequently improve employability of youth in Bosnia and Herzegovina

Literature review

The Organization for Economic Co-operation and Development (OECD) defines a country with a knowledge-based economy as one where the production, diffusion and use of technology and information are keys to the economic activity and sustainable growth (OECD 1999). The most important economic development has been the rise of a new system for creating wealth, based no longer on muscle but on mind (Toffler, 1990). Toffler was prescient in noting the now well-recognized international trend in employment from blue-collar low-skilled jobs, to white-collar highly-skilled employment, and the importance of widely diffused and ever expanding knowledge that contributes significantly to the current economic growth (George, 2006). After the strong accents that were put on the expansion of primary and secondary education, the World Bank (2002) is regarding higher education as a most important level for the stage of economic development. The 'development of individual capacities', in addition to the 'education of responsible citizens' and the 'preparation for work', constitutes one of the most important objectives to be achieved by education systems and, in this sense, makes up one of the main pillars of the education system (Stoer and Magalhães, 2004).

The post-industral knowledge society is challenging the notion that knowledge creation, innovation and dissemination is the a priori role of the university (Hagen, 2002). The increasing complexity of new technologies makes it extremely difficult for any one firm to encompass the necessary resources and capabilities needed for successful technological development and commercialization. Consequently, some industrial firms have found that universities can be viable partners. Researchers found a strong linkage between university basic research and the new products and processes introduced by a large number of manufacturing firms (Elmuti, Abebe, Nicolosi, 2005).

Institutions of higher education became critically important places of knowledge production, knowledge perpetuation, and knowledge dissemination. In addition to these conventional associations of universities and knowledge, institutions of higher education have the unique potential to encourage synthesis and integration of different types of knowledge and to enhance the application of knowledge to social change (Stephens, J.C. et al, 2008). The higher education sector obviously has an important role to play in the

enterprise economy, as universities provide access to a spectrum of knowledge-based resources to support the development of the technologically sophisticated enterprises that are needed to compete in the international market place (McMullan and Long, 1987).

When considering trends, young people are currently in a unique position. Increasingly, they can no longer expect to find the traditional "job for life" as was arguably the case with the previous generations. Instead, it is incumbent upon them to take more personal responsibility for employment and financial affairs. There is development towards "portfolio careers": contract employment, freelancing, periods of self-employment, etc. (Dearing, 1997). For educators the implications are obvious. Flexibility and creativity have become necessary skills, and educators therefore have an obligation to meet students' expectations with regard to preparation for the economy in which they will operate (Galloway et al, 2005).

The increasing importance of knowledge in our society and economy also demands for a shift in higher education in order to prepare students adequately to function within this type of society (Kessels and Kwakaman, 2006). Research into developments and trends within European organizations revealed that customer orientation and flexibility are key conditions in order to improve products which are means for organization to survive (Blass, 2005; Tjepkema, 2002; Walton, 2005). As a result of an immense increase in developing, improving and producing new products organizations must learn quickly, drawing on information from internal and external sources (Harrison & Kessels, 2004).

In his attempts to trace the historical evolution of the relations between education and employment, Alaluf (1993) states that, at a certain moment, it was the school's task to create 'good workers', meaning that its task was to combat vagrancy, to develop discipline, punctuality and the 'honesty' of workers, for what counted was not only creating good workers, but above all good workers.

Higher educational system in BH

Educational system in Bosnia and Herzegovina (BH) in general is based on the constitutional system which defines BH as a state consisting of two entities: The Federation of BH (FBH) and the Republika Srpska (RS), with the District of Brčko being a separate administrative unit. The entity of the FBH consists of ten cantons, each of them having its own educational system (Cantonal Government and Ministry for Education). There are state-level, entity-level and cantonal governments present, and therefore it can be argued that the educational system in BH is decentralized.

With an estimated population of 4.3 million, BH has 8 public universities (Sarajevo, Sarajevo-East, Tuzla, Zenica, Banja Luka, Bihać, Mostar-East, Mostar-West). In addition, during the last ten years many private universities/schools have been established. With regard to degree-based education in the fields of Economics and Management there are currently 32 higher education institutions (HEI) in BH. This situation is mainly the result of the Constitution (Dayton Peace Agreement, 1995) and inadequate legal regulations governing the quality of those institutions. Such conditions resulted in a proliferation of higher education institutions (from four in the pre-war BH to eight public universities in the post-war period and a large number of private schools and universities). In BH, the number of higher education institutions has grown, mainly as a consequence of the war and fragmented system established in its aftermath. The "growth" of the university system was actually split into smaller units in some universities.

BH signed the Bologna Declaration in September 2003 and committed itself to join the community of higher education institutions by 2010. Thirteen legislative bodies are authorized to adopt relevant regulations. Accordingly, the higher education system is different in different parts of the country. All institutions must have a license issued by the Ministry of Education in charge of the region in which the respective higher education institution is located (Trivun, Vranić, Kenjić, 2009).

Some facts regarding state investments in higher education are as follows: In 1990, investments in science were 1.5% of GDP; in 2009, EU countries invested about 1.9% of the GDP with the final aim of 3% in 2010. Today BH invests only 0.05% GDP in higher education, which is 30 times less in respect

to 1990, and even 60 times less in respect of planned 3% in EU countries. Average cost per student is between EUR 300–500 per student per year (20 times less than in EU countries). At the same time, in the winter semester of the 2009/2010 academic year, in BH, 109,579 students were enrolled in 43 institutions of higher education, which was 3.9% or 4,091 students more than in the previous year. There were 89,306 or 81.5% full -time students, 17,963 or 16.4% part -time students and 2,310 or 2.1% distance-learning students (Agency for Statistics BH, 2010). In year 2009 undergraduate diplomas were obtained by 16,851 students.

The University of Sarajevo (www.unsa.ba) is the biggest and oldest university in BH, descends from a century-long tradition of higher education. The University of Sarajevo was established in 1949 and from that period on the University has promoted 122,000 bachelor students, 3,891 master students and 2,284 doctoral students in 43 scientific areas.

Because of the evident deregulation issue in the BH educational system, authors argue that education in BH is heterogeneous, thus different from area to area, from canton to canton. Same can be applied to the higher education, although all institutions in BH accepted the propositions of Bologna Declaration, its implementation is varying from each school, and therefore significant differences are evident. Those differences are more evident because the society in general is not prepared for these changes, not informed about the new processes. Companies in BH are also lacking to follow the changes, so students and graduates are facing problems due to the procedural issues too.

Employability in BH

BH has it national Agency for employment, and each entity has its own (Federal Employment Institute Sarajevo and Employment Service of the Republika Srpska). At the end of May 2010 in Bosnia and Herzegovina there were 512,349 registered unemployed persons. The unemployment decreased in regard to the same period last year when there was 490,765 registered unemployed people. Qualification structure of registered unemployed persons in May 2010 was: VSS and VŠS (undergraduate degree) 26,500, SSS (higher school) 121,495, VKV and KV (qualified workers) 186,537 and NKV (nonqualified workers) 161.664. It is a very serious concern that 74% of the unemployed people with undergraduate degree in FBH are within the age range 20-29.

Young people (especially those with undergraduate diploma degrees) are the most vulnerable with regard to employment, as is evident from the Labour Force Survey data, which shows youth unemployment (15 to 25) as twice the average rate (UNDP 2009). Naturally, this is a major reason for young people, i.e., 18 to 35, wanting to leave Bosnia and Herzegovina. An additional reason for wanting to leave the country is the authorities' responsibility over visa liberalisation, which has yet to materialise. Bosnia and Herzegovina and Albania are the only countries in the Western Balkans whose citizens still require visas for EU countries, as of Septembar 15th 2010.

As reported in UNDP Early Warning System (2009) the trends of brain-drain are still positive in BH, where more examinees answered that they would leave BH if an opportunity arose than in year 2008. This trend is noticed within all age groups, but for this research it is important to notice that more than half (54%) of the respondents, in the 18-35 age group would leave BH if an opportunity arose. This indicator could be explained by high youth unemployment and their inability to find work where they live (UNDP. 2009). These data are suggesting that the knowledge society is still not having good and positive networks within higher education in BH.

Research methodology

In order to fulfil the main goal of the paper, to examine the networks establishment between the knowledge society and universities, problems that students experience while trying to connect with the economy and the market are to be recognized and derived. On the other side, motives, attitudes and

behaviour of the parties involved at the other part of the chain – the knowledge society are important for understanding the need for networking.

For achieving this goal primary and secondary research was conducted. Through secondary (desk) research, the existence of the different types of cooperation between universities and companies became evident. Unfortunately that cooperation is periodical, rare and dependant on inspired enthusiast and individuals that are running the processes. Based on the knowledge gained from secondary research and existing theoretical approach, primary research was conducted.

Qualitative research is used as a method in order to analyze motives, attitudes and processes towards creating networks between universities and the knowledge society. Qualitative approach is based on three basic positions: the tradition of symbolic interactions is concerned with studying subjective and individual meaning making, ethno methodology is interested in routines of everyday life and their production while structuralize or psychoanalytic positions start from the process of psychological and social unconsciousness (Flick, 2009).

In order to support the main goal, three hypotheses are derived for this research:

• H1: Based on the current situation in higher education in BH, higher education institutions can pursue actions to improve relations with the knowledge society.

• H2: BH economic situation and BH market de-motivate potential work force, which is causing brain-drain.

• H3: If higher education institutions in BH start using a set of different, worldwide accepted tools for creating networks with the knowledge society, it will positively influence employment and result in the process opposite to the brain drain.

Five clinical focus groups, consisted out of eight participants, were conducted in Sarajevo (as the largest university centre in Bosnia and Herzegovina). Focus groups lasted from 60 – 90 minutes. Participants were students with different educational and demographical backgrounds as showed in Table 1.

Table 1: Information on participants of the focus groups

Group number	Mail participants	Female Participants	Age	Students of
F. Group 1	4	4	from 17-22	Humanities
F. Group 2	4	4	from 19-26	Applied sciences
F. Group 3	3	3	from 18-22	Natural sciences
F. Group 4	4	5	from 19-23	Social sciences

Flick (2009) sees the focus groups as highly efficient qualitative data a collection technique that provides some quality controls on data collection. It is low cost and at the same time rich in data. Furthermore, three semi-structured interviews, through internet (Skype), with experts (Sarajevo, Mostar and Banja Luka) in the field were conducted in order to define motives and attitudes of the individuals working on creation of networks between higher education (students in the first line) and companies. They are all working in centres connected to the local universities. All interviews lasted from 30 – 45 minutes.

Discussion of the findings

It is noticed that students of the social science and humanities are more concerned regarding their future employment than the students coming from other disciplines. They tend to be more informed about places where they can improve their competences and skills, and obtain information regarding

employment possibilities. There is no significant difference between male and female respondents. Most of them are considering employment in a company while six of them in total are considering self employment or employment in a family business. Students that are studding applied sciences and natural sciences are older than students studying social science or humanities. They are not familiar with employment possibilities for their profession, because they are not planning to graduate yet. They believe that it is impossible to find a job within their profession while they are still studying.

Joint conclusions of the participants of the focus groups will be discussed.

Most of the students that took part in the focus group (19) said that, if they have an opportunity, they will leave Bosnia and Herzegovina. The most important reason for leaving the country is lack of employment opportunities. One of the participants shared his experience while he was looking for a job: representatives of the companies-employers openly asked for money bribe during the process of submitting job application.

This issue should be perceived as a push factor for youth migration and something that is likely to be directly contributing to the 'brain drain' in BH (similar findings were presented in the UNDP research, 2009). Another motive is that they think that the quality of education is much higher in other countries, and that better education and better diplomas are their only chance for getting a job. On the other hand, several participants (nine) showed willingness to move to another town in Bosnia and Herzegovina, where maybe another ethnicity is in the majority, because of the job position. This was particularly evident amongst the younger participants (18-20).

As one of the main reasons for the absence of relation of higher education institutions with companies, participating students consider to be the lack (or small number) of scholarships by companies. Students are aware of the existence of scholarships by governmental organs (municipalities, cantons, ministries) but feared their distribution lacks transparency. The selection criteria and allocation reasons are often inconsistent and untimely. Sometimes the financial aid is KM 100.00 (around EUR 50) that is not a stimulus to students to achieve outstanding results, because it is not sufficient to cover monthly expenses. Students of natural science have emphasized the incompatibility of educational policy scholarship and employment policies. A weak link between education and labour market and creation of a large number of "useless and valueless" staff is evident. Modern and interactive methodology to develop an entrepreneurial spirit and specific skills training for young people in finding a job (employability soft skills) are not sufficiently represented in the curriculums.

Experts add that sometimes it is necessary to change the culture of employment policy in companies, and at the same time to change the attitudes of students' parents. During communism, in BH, employment was guaranteed regardless of educational attainment, and citizens received subsidized housing, transportation, social security, health insurance, and education for their children based on their employment sector. All these factors had an immediate effect on employability of particular categories of students.

Professionals also state that it is very difficult to connect a company with the best student because most of the universities/schools do not track the best student and keep the records of the students that have very high grade point average (GPA). This should be tracked and students listed in this list should get the opportunity to find employment at the higher educational institution (i.e. researchers, young teaching assistants) or to receive annual awards, or to be recommended to the companies interested to provide scholarships for gifted students.

It was highlighted that experts are not familiar with the fact that any educational institution in BH has graduate placement statistics. These data do not exist and it is difficult to measure how successfully the degree program is run by particular institution. Graduate placement statistics should be measured annually in order to provide the community with a snapshot of graduating classes' career status, benchmarking and rankings data.

The analysis of the results of the clinical focus groups and interviews are fully supporting hypothesis one and two.

Recommendations

The research aim was to find and suggests tools that will consequently improve students' employability in Bosnia and Herzegovina. Examples of good practice in connecting higher education with economy will be explained as well as suggestions for improvement.

Experts agreed that higher education system in BH should be redefined, and that the meaning of learning and understanding of theory thought should be reemphasized. This could be done by enhancing methods, such as: distance learning system, blend face-to-face, video conferencing, multi-media and e-learning. This would bring new strength to education-knowledge-economy network by:

• Enhancing Relevance.

• Degree + Utility Oriented Education.

• Two Degrees at the end of last year of study.

• Enhancing Quality

• Integration of the ICT in teaching and RD.

• More Intensive and obligatory Teachers Training

Corporate environment should be involved into university's governance through the institution of external advisory committee (i.e. Business Advisory Board at the School of Economics and Business Sarajevo) that should be comprised out of top managers coming from the most prominent BH companies that are interested in the kind of abilities certain school offers. This council should have an advisory status for activities such as: curriculum development, master programs, executive education, lifelong learning, research, internships, conferences, etc.

Bodies that are focusing on the student careers, (i.e. Student Career Development Centre, University of Banja Luka) should be part of all universities, with at least one employed person at each institution/school. This type of centre should provide various forms of support to the students in the course of studying. The process of education and professional development of student should begin when the student comes to inquire in the Centre or when one sends an e-mail. The employees should work on familiarization of the first-year students (freshmen) with the structure and mode of school's organization, student mentorship – instructions, linking the students in lower years with the students in higher years to help them by sharing experience, knowledge and contacts; provision of additional educational support to students (preparatory activities for employment, volunteerism, internship, support in development of seminar and diploma papers - data bases search, information sources, methodological framework, the modes of quoting), research. Such type of centres should be a point of connection between economy and higher education.

The employees of the Centre in Banja Luka provide the following forms of support to the students: assistance in preparation of documents required to apply for a job (application, CV or Résumé, Cover Letter), preparation for job interview (defining its own possibilities, researching the sources of information, building the network of contacts), provision of information on opportunities to practice or to get one-off jobs during the studying, familiarization with certain jobs, volunteerism, provision of information on the first job/employment, information on actual programmes of assistance to improve students' standard: scholarships, searching and collecting information on possible continuation of study in line with the student's interests (postgraduate studies, international exchanges, etc).

In Mostar, a student competition - Business Plan Contest was organized with the aim to link students with contemporary issues and problems in real-life economy. The contest was set to promote the entrepreneurial spirit and the ultimate goal was self-employment of students and Case Study Writing in business practice that will be useful for the future generations in education.

Job fests (Career Day) have been organized in Sarajevo for the last 5 years. This event enables students to connect with the potential employers and to have immediate contact with the employers. In addition to that in Mostar they organize the Company Day (once a month) where a company presents itself at the Institution.

Internship should be an obligatory part of the degree program at the School of Economics and Business Sarajevo, where each student has to perform a 30-day internship before graduation. In 2009, 537 interns finished their one month long internship in BH.

Popularization of volunteerism is necessary within the student community. Volunteering in the broadest sense is defined as a non-profit, unpaid activity, which individuals contribute to the welfare of their community or society as a whole. In order to gain work experience, there is an institutionalized form of volunteering in the public administration, public enterprises, including private firms and NGOs in Bosnia and Herzegovina, but it is not popular within the student community.

One respondent (Mostar) gave an example of the independent non government organization that is organized with the aim of giving career advice to students. All services are free based and do not charge students. An extensive range of services is provided, including: a web-based hub providing careers information, event details, job vacancies, links, news and FAQs; services from professionally trained and certified career advisors, including "drop-in" 15 minute advice sessions, longer confidential interviews by appointment, and mock job interviews; CV checking and workshops on CVs, the application process, interviews and selection tests.

Business incubators could be one way of support for student in BH in the initiation and continuation of business. Business incubator includes a facility / area that is home to a new or "immature", undeveloped, small companies. However, the incubator is not just a space, but an overall support that helps the company to survive and succeed in the market.

All participants mentioned positive examples of the Youth Employment Project (YEP Project) in BH that employed more than 500 young people, starting from 2008. It has provided the possibility to influence the decrease of youth unemployment rate and encourage positive changes even in a country with underdeveloped economy. Judging by the results achieved in the first two years of this project, which is supported by the Austrian Development Agency (ADA), it will be easy to achieve the figure of 1200 employed young people by the end of the project in 2011. The fact that the success of the project is measured by the number of actually employed beneficiaries, and that all stakeholders of civil society are involved in the project implementation, is what makes this project unique in the field of solving the problem of youth unemployment.

All these activities mentioned from respondents are positive practices in BH, that can be used more broader at all universities, striving to provide the best students with an opportunity to sign a scholarship agreement with the companies from BH and to connect universities with the knowledge society.

Based on the recommendations that are derived from the research, hypothesis three is supported, together with evidences on the verity of the other two hypotheses.

Conclusion

Bosnia and Herzegovina is a country with a big brain drain problem. This problem is evident and recognized by authorities/educational institutions and practice. It could be reduced by establishing networks between higher education institutions, universities and the knowledge society. This can be a

way of establishing a labour market that transcends ethnic and entity boundaries and brings the younger population into an environment of closer business and economic cooperation. The size and the constant growth of the problem has created the need for better understanding of the basic characteristics of problems in the process, attitudes and motives of the involved stakeholders and good practices in dealing with it. So far, research within this area, in Bosnia and Herzegovina, is very limited; therefore this study tried to establish the main arguments and recommendations which should be further examined.

The paper gives an insight into the existing tools and methods as well as into the possibility of developing tailor-made strategies for the country. Based on analytical assessment new trends could be identified and original strategies designed. The paper offers suggestions on how to improve the cooperation between higher education and economy in this country.

As for the research limitations, findings of the research should be supported by large sample quantitative research. Tools and methods application should be tested and by that furthered and examined in more details.

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