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# SOCIAL MEDIA USE AND SPONSORSHIP:
# AN EXAMINATION OF AN NFL FRANCHISE

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*Abstract*

*This study explores whether event-related social media messaging correlates with attitudes towards the sponsor and whether heavy users of social media are more likely to respond to sponsorship-linked marketing. Data was collected from 1,093 sponsor mentions on social media that were associated with the event-related conversations of an NFL franchise. The findings were that event-related conversations on social media peak on game days, that heavy social media users are more engaged with sponsorship-linked marketing and, that these social media users' attitudes towards the sponsors were significantly stronger. Sponsors should engage fans more by posting their social media content on game days and that social media should be used aggressively during sponsorship leveraging and activations.*

*Keywords: sponsorship, social media, Twitter, NFL, National Football League, American Football.*

## INTRODUCTION

Sporting events are seen by some as a means for word-of-mouth promotions for sponsors (Clavio & Walsh, 2014; Filo, Lock, & Karg, 2015; Witkemper, Lim, & Waldburger, 2012), and attendees at sponsored events do not hesitate to express their opinions through social media (DiMoro, 2015; Laird, 2015). In 2013, there were 492 million tweets generated about sport events ("Sports Fans Amplify the Action Across Screens," 2014). These events provide an opportunity for sponsors and event organizers to target and engage consumers (Filo et al., 2015). The intersection between sponsorship and social media is large, and academics have recently begun investigating the use of social media within sponsorship-linked marketing. Sponsorship-linked marketing is defined as "the orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsorship" (Cornwell, 1995). Now, scholars see the need for research in this area, as there are calls for studying social media engagement and valence of sponsorship and measuring its effectiveness (Abeza, O'Reilly, Séguin, & Nzindukiyimana, 2015; Meenaghan, McLoughlin, & McCormack, 2013).

Sponsorship effectiveness is not easily measured (Crompton, 2004). It has been evaluated mainly through survey studies (Breuer & Rumpf, 2015; Deitz, Myers, & Stafford, 2012) with the research by Delia and Armstrong (2015) being one of the first attempts at evaluating its effectiveness through the generation of social media word-of-mouth. Hennig-Thurau, Gwinner, Walsh, & Gremler (2004) define word-of-mouth as "any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the internet", and it reflects individuals' attitudes toward business or, in this case, with the team or sponsor.

A key factor considered when assessing sponsorship effectiveness is sponsor awareness, which has typically been measured through survey studies of sponsor recognition or unaided recall (Tripodi, Hirons, Bednall, & Sutherland, 2003). Yet, because of its unobtrusiveness, social media can be an effective instrument is studying sponsorships (Delia & Armstrong, 2015; Heinonen, 2011). Mentioning a sponsor in an event-related online conversation demonstrates an "association between a sponsor and an event", thus constituting a measure of sponsorship effectiveness (Meenaghan et al., 2013). Associations between sponsor and event

can be made directly, by experiencing the game, and indirectly, through media information (Doyle, Pentecost, & Funk, 2014). Media information can include social media information shared by the organizers and the sponsors, or information shared by the consumers through event-related social media conversations (Popp & Woratschek, 2016). Therefore, instead of evaluating declarative responses through questionnaires, researchers can better understand consumers' attitudes by investigating the online discussions of the sponsor in relation to the game.

Previous studies have found that fan involvement is a key antecedent of sponsorship effectiveness (Alexandris, Tsiotsou, & James, 2012; Dees, Hall, Tsuji, & Bennett, 2010). Yet, the level of involvement varies based on the event and, therefore, the receptiveness to sponsorship. One way to improve effectiveness is to address the segments that provide the biggest return on the sponsors' investment (Dwyer & Kim, 2011). Typically, this segmentation is based on the attendees' type of experience search or orientation toward sporting events and their motivational drivers of sport consumption (Bouchet, Bodet, Bernache-Assollant, & Kada, 2011; Witkemper et al., 2012). However, when studying sponsorship effectiveness through generated social media mentions, segmentation should consider the intensity of social media engagement of the attendees.

Our study investigates whether event related conversations in social media are a good proxy to determine the relative impact of sponsorship on brand attitudes. The purpose of the study is to investigate whether users of social media interact and are influenced by sponsorship-linked marketing. The research was divided into two parts – a data analysis of social media mentions related to the event and its sponsors, and field research at the event to understand social media users' attitudes towards sponsors.

The data analysis of social media mentions looked to answer:

a) Does valence of a team's sponsors' mentions vary depending on the performance of the team?

b) Does team performance impact the valence of sponsor mentions?

c) How does involvement in the event-related social media participation influence fan's attitudes toward sponsors and how does it impact sponsorship effectiveness?

d) Does a sponsor company's media presence (i.e. number of Twitter followers) relate to the number of sponsorship mentions during the sponsored team's games?

## LITERATURE REVIEW

Social media is defined as "a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content" (Kaplan & Haenlein, 2010). With hundreds of millions of tweets generated about sport events yearly ("Sports Fans Amplify the Action Across Screens," 2014), tens of millions of sports fans on Facebook ("Sports Teams on Facebook.," 2017), and an NFL (National Football League – the primary American Football league) Twitter follower base of over 23 million (@NFL, 2017), social media has become a common platform for spreading sport-related news and co-participation in the sport event experience (Özsoy, 2011). Sport franchises, teams, and athletes who try to communicate with and engage their fans through these platforms, recognize the impact of social media (Kassing & Sanderson, 2010; Pegoraro, 2010; Sanderson, 2010; J. Williams & Chinn, 2010; Witkemper et al., 2012).

As most Twitter conversations are public, word-of-mouth studies from this platform have been the most heavily referenced. Researchers commonly use Twitter to analyze the content or structure of word-of-mouth communications. Twitter has been studied mostly in the context of conferences (Ebner et al., 2010; Letierce, Passant, Breslin, & Decker, 2010), brand communication (Krüger, Stieglitz, & Potthoff, 2012; Stieglitz & Krüger, 2011), crisis communication (Mendoza, Poblete, & Castillo, 2010; Palen, Starbird, Vieweg, & Hughes, 2010), political communication (Harlow & Harp, 2012; Small, 2011), and sport or festival event-related tweets (Delia & Armstrong, 2015; N. L. Williams, Inversini, Buhalis, & Ferdinand, 2015). A practice of Twitter users is the application of the hashtag (#) to start or follow discussions on the Twitter platform (Small, 2011). Fans like to express their feelings and opinions related to the sport event and their team to other fans (Seo & Green, 2008). Using an event hashtag "reveals a strong desire from users to be part of the discussion" as shown by Letierce et al., (2010), but it also allows them to follow the real-time feeds of the related messages (Bruns & Stieglitz, 2013).

Based on motivation theory, researchers have evaluated fans' sport-event related social media involvement (Clavio & Walsh, 2014; Seo & Green, 2008; Witkemper et al., 2012; Özsoy, 2011). These studies have examined the determinants of online sport consumption behaviors and motives such as acquiring knowledge regarding the sport (Seo & Green, 2008), being up-to-date on the events' information (Seo & Green, 2008; Özsoy, 2011), gleaning entertainment from the event (Seo & Green, 2008; Witkemper et al., 2012), affiliating with the team (Seo & Green, 2008; Stavros, Meng, Westberg, & Farrelly, 2014), and connecting with other fans to be part of the community (Branscombe

& Wann, 1992). Furthermore, involvement with the sporting event impacts sponsor recall by influencing perceived sponsor-event congruence (Cornwell, Weeks, & Roy, 2005). Mazodier and Merunka (2012) found that sponsorships positively influences the consumer's level of affect, trust, and loyalty towards the sponsor's brand. Olson and Thjomoe (2003) showed that as a consumer's brand involvement increases, so too does their brand attitude. McDaniel (1999) suggested involvement as a moderator between sponsor-event congruence and responses to that sponsorship. Therefore, depending on their level of involvement, fans will differ in terms of their receptivity, acceptance, and attitude towards sponsorship (Dwyer & Kim, 2011).

Yet, while sponsorship effectiveness has been extensively studied (Ballouli & Hutchinson, 2010; Breuer & Rumpf, 2015; Deitz et al., 2012; Kim, Lee, Magnusen, & Kim, 2015), the use of social media as a communication channel and a tool for measuring the sponsorship effectiveness has just started to be scrutinized. The research by Delia and Armstrong (2015) is one of the first attempts at evaluating sponsorship effectiveness through the generation of social media word-of-mouth. However, one of the limitations of their study is that they differentiated only between positive and negative valence (Delia & Armstrong, 2015), while many mentions can be of neutral valence. Another limitation of the previous studies is the inclusion of both company and consumer-generated tweets as sponsor mentions (Delia & Armstrong, 2015). While company content can stimulate more word-of-mouth, it does not classify as word-of-mouth unless it is in the form of a retweet or share by the user. Word-of-mouth constitutes organic conversations about sponsors which are carried out by fans and not promotional sponsor-provided posts. For the purposes of this paper, we define sport-related sponsor conversations as fans and game attendees' who post on social media platforms concerning their supported team.

## METHOD

### Sample and data collection

We captured social media mentions of an NFL team during regular season games (between September 10 and December 16). While some previous studies in the field focus on Twitter, others recommend considering other social media platforms (Abeza et al., 2015; Delia & Armstrong, 2015; Tufekci, 2014), as the use of one social media platform results in sample bias and skews findings. Moreover, as indicated by the respondents surveyed at the stadium during the second phase of the study (see part 2: study), Facebook and Instagram were accessed within the last 6 months by more users (80 and 55% respectively) than Twitter (50%). Therefore, we collected mentions

from several social media platforms: Twitter, public Instagram, Facebook, YouTube, Vimeo, Tumblr, and Reddit.

Previous studies on social media mentions and Twitter have focused on hashtags (e.g.(Delia & Armstrong, 2015; L. R. Smith & Smith, 2012; Weber, Garimella, & Teka, 2013), we recognize that users may post event-related messages without them. Also, the use of hashtag alone can lead to sampling biases (Bruns & Stieglitz, 2012; Tufekci, 2014; N. L. Williams et al., 2015). Taking this into account, we have collected both mentions of the team with and without hashtags to capture a larger range of conversations and to improve research validity.

The conversations were captured with the use of software Tweet Archivist (tweets) and Social Searcher (mentions on other platforms). The software streams data in real time. "The streaming API provides a stream to continuously capture the public tweets where parameters are provided to filter the results of the stream by hashtags, keywords, users' ids, usernames or geographic regions" (Krempl et al., 2014). The software provides the tweet (or other social media post), and related meta data including the sending user's name, the posting time, the geolocation information (if available), platform, link to the post, time zone, language, hashtags used, number of followers, number of likes (if applicable), and type of content (e.g. photo, status update). It also provides sentiment of the postings.

### Event-related conversations and sponsor mentions - data analysis

After removing duplicates, a total of 317,056 event-related mentions were collected. The data were first aggregated to each day and analyzed afterwards. The analysis focused on the number of event-related conversations, the frequency of the conversations throughout the season, the number of sponsor mentions within the event-related conversations, and the sentiment of the mentions.

Within the archived social mentions related to the event we looked for the mentions of the sponsors of the studied NFL team. When filtering the mentions of sponsors, we considered the use of small and capital letters in spelling the brand name as well as the use spaces (for instance Miller Lite and MillerLite).

Initially 2,787 mentions were identified within archived event-related conversations. To verify whether the mention relates to the sponsor or constitutes another entity (for example whether Miller relates to the beer or to a person), each mention was read and analyzed by a researcher. After excluding the mentions that represent an entity different than a sponsor, a total of 1,093 sponsor mentions were identified within the event-related conversations.

## RESULTS

The number of people watching an NFL game during the season is estimated at between 13 and 27 million (Chase, 2015) including the approximately 70,000 tickets sold during the regular season for an average NFL game ("2016 NFL Football Attendance," 2017). This can be compared to a total of 317,056 social media mentions of the studied NFL team between September 10 and December 16, 2015. As Hull & Lewis (2014) suggest, the influence of the event extends to social media to stimulate online discussions about the event.

We studied eighteen sponsors of the studied NFL team. The average number of mentions per sponsor was 61, median 15, standard deviation 57. Thus, the sponsors varied greatly in their ability to engage the team's fans in social media.

Most of the mentions (212,607) appeared on Twitter, including 93,311 retweets. This ratio between tweets and retweets is consistent with previous studies (Mazarakis & Peters, 2015; Ross, Terras, Warwick, & Welsh, 2011). The tweets resulted in a total of 1,261,593,670 impressions (the total number of times that the tweets have been delivered to Twitter stream).

The remaining 104,449 event-related mentions on other social media platforms generated a total of 1,228,216 'likes'. Instagram and Facebook shared 48,234 and 45,694 mentions respectively. Other platforms accounted for only 3% of the event-related conversations. Interestingly, the bigger popularity of Twitter over Facebook as a venue for event-related conversations is interesting considering the studied NFL team has over 630 thousand Twitter followers, and almost three times more Facebook page likes (and 463 thousand of Instagram followers). Moreover, as the survey results show (see part 2 of the study), 80% of the researched game attendees accessed Facebook within past 6 months, compared to 50% for Twitter.

This disparity can be accounted for since many Facebook conversations are private (Burkell, Fortier, Wong, & Simpson, 2014) and thus not archived by the software. With Twitter, most of the conversations are publicly available (and archived by the software), which makes participation in the general discussion easier, as Facebook was designed with the intention of connecting with friends. Thus, even though Twitter is the dominating platform, sponsors should still try to engage fans on Facebook.

The Twitter content alone was generated by 84,488 unique users. The analysis reveals power law distribution of the event related social mentions as illustrated in figure 1. Power distribution of word-of-mouth is typical and consistent with previous studies in the field (Ebner et al., 2010; Letierce et al., 2010; Mazarakis & Peters, 2015; Ross et al., 2011). Few users post frequently – most fans only post occasionally. The maximum number of posts per individual user

was 2668, the mean number of mentions was 2.5, standard deviation was 18.5, the median was 1, and the third Quartile was also 1. The top 100 most active users tweeted 28% of the tweets and the top 1000 accounted for 39%. Ninety-three percent of the users tweeted 3 times or less, and 66,081 or 78% of the users who tweeted regarding the studied NFL team had done so only during the studied period.
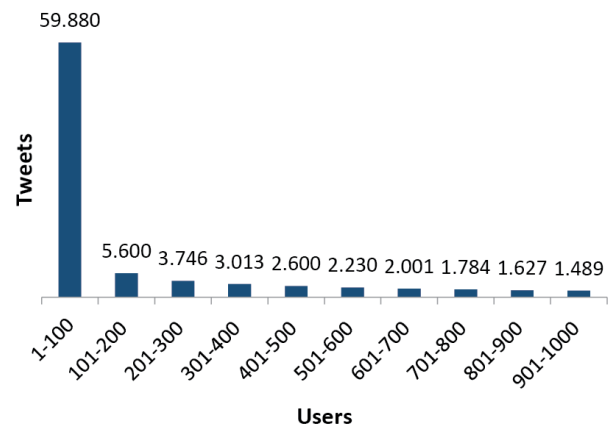


Figure 1: Distribution of tweets

This shows that the intensity of social media use related to the event varies. At the same time those who share the most had the most impressions which indicates sponsors should make sure they approach those to spread the content.

The number of mentions was not steady but varied over time, peaking on the days of the games, and continuing the day after when the game took place in the evening. Figure 2 presents the number of event-related mentions during the NFL season for the studied team.
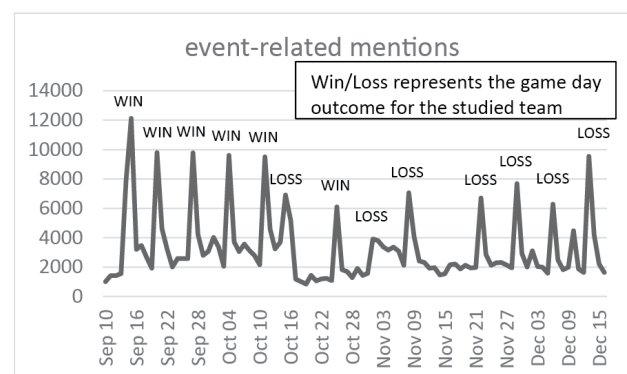


Figure 2: Distribution of event-related social mentions over time

While the team's season was unique in that they started with a five-game win streak, and the study concluded with the team on a six-game losing streak, we did find some correlation between the teams wins and number of sponsors' social media mentions (r2=0.29). However, this should not be considered conclusive, as it could be also plausible that the mentions were a function of time.

A total of 1,093 sponsor mentions were identified within the event-related conversations. Nevertheless, the sponsor social media mentions constitute only 0.34% of event-related conversations. This result is however consistent with the previous research that showed that only a very small percentage of event-related tweets include references to sponsors (Delia & Armstrong, 2015). On the other hand, Jansen et al. (2009) shows that approximately one in five tweets in general refer to companies. This poses a question on how sponsors could generate more word-of-mouth. Moreover, we have not found a significant correlation between the number of event-related conversations and the number of sponsor mentions within those conversations. This might suggest that social media word-of-mouth that is sponsor related is driven more by specific activations that sponsors undertake or by sponsorship articulation.

Sentiment analysis relates to the manual or automated (software-supported) classification of social media mentions with regard to their emotionality (Bruns & Stieglitz, 2013). It is also referred to as opinion mining which "leverage computational linguistics, natural language processing and other methods of text analysis to automatically extract user sentiments or opinions from text sources at any level of granularity" (Fan & Gordon, 2014). We chose the automated sentiment approach for the analysis.

Twenty-nine percent of the sponsor event-related conversations were positive, 3% negative, and the remaining 68% neutral. This can be compared to the sentiment of the studied NFL team's conversations, which were 22%, 7%, and 70% respectively. The ratio of positive to negative mentions was greater for the sponsors than the team shows that sponsors were even more positively commented on than the team. The large number of neutral sentiment challenges the researchers to differentiate between positive and neutral sentiment. As shown in figure 3, the sentiment of the conversations did not vary greatly throughout the season. There were no significant correlations between the performance of the team and sentiment of the sponsor mentions. This is good news for the sponsors who are not affected by bad performance of the team.
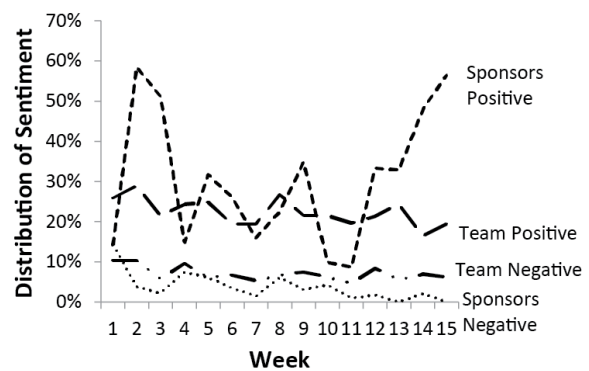


Figure 3: Distribution of sentiment within social media conversations throughout NFL season

The lack of impact of the team's performance on the sentiment on the positive/negative mentions ratio might be explained by a fan's level of team identification. Team identification is a psychological connection a fan feels with the team or an athlete (Wann & Branscombe, 1993). Fans who highly identify with the team keep identifying with it whether they win or lose, and will oftentimes attribute the failure to external factors (Cohen & Garcia, 2005). This explains why the sentiment of their discussions is not more negative at times when the team loses (Doyle, Lock, Funk, Filo, & McDonald, 2017). Team identification is also linked to team loyalty, which has been shown to impact attitudes toward sponsors (Biscaia, Correia, Rosado, Ross, & Maroco, 2013).

Does a sponsor company's media presence (i.e. number of Twitter followers) relate to the number of sponsorship mentions during an NFL game? Unlike Delia and Armstrong (2015), we found no correlation between the sponsor social media presence and number of sponsor mentions.

**DISCUSSION**

Over 300 thousand event-related conversations highlight the importance of incorporating social media into sponsorship-linked marketing. While we found a correlation between a team's success and the number of corresponding social media posts, due to the unique performance of the team, there are other plausible explanations and thus from this study, we cannot conclude that a team's performance drives social media mentions. Additionally, the data showed no correlation between a team's performance and the sentiment of sponsor mentions. This suggests that even a poorly performing team does not negatively influence the attitudes toward a sponsor. As shown in figure 2, the distribution of the event related conversations regarding the studied team's event varied over time, peaking on game days. The game day peaks in the conversations should be used

by the sponsors to engage fans more by posting their social media content at the time.

Sponsors should also reconsider their sponsorship strategies to better foster online conversations about themselves. As the sponsor-related conversations were relatively low, this poses a question whether the sponsorship could be more effective if discussed in social media. One of the possible areas for future research avenues would be studying the effect of sponsorship articulation on social media involvement. We also found that attendees who heavily engage in social media event-related conversations are significantly more likely to see the importance of sponsorship-linked marketing. The same heavy social media users were also more influenced by the sponsors' messaging. These findings suggest that sponsors should heavily engage with attendees through social media during the sponsors' leveraging of the event and the subsequent activations.

## LIMITATIONS

When 1,093 sponsor mentions are compared with the hundreds of thousands of people who watch the studies NFL team, and the 70-80 thousand attendees, solely tracking social media does not appear to be a good proxy for capturing sponsorship effectiveness. Moreover, only public social mentions were captured, likely decreasing the amount of mentions included in the study. Social media mentions on platforms such as Facebook are mainly not public.

The research only focused on one team. Due to the unique performance of the team during the season – a five-game winning streak to begin the season, then a six-game losing streak at the end of the study – may have had some impact on the social media conversations and the attitudes of the respondents towards the sponsors. Studies involving other NFL properties, or other season long sporting events would help confirm the findings.

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# DIGITAL AUTO CUSTOMER JOURNEY - AN ANALYSIS OF THE IMPACT OF DIGITALIZATION ON THE NEW CAR SALES PROCESS AND STRUCTURE

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*Abstract*

*Digitalization is transforming entire industries, customer behavior and expectations. The change is comprehensive and affects the business and sales models in the automotive industry. This paper aims to evaluate the current state of the new car sales process and structure and analyzes how digitalization will be impacting the buying journey in the upcoming five years. Exemplified on the German retail market the paper at hand provides a deep analysis of the digitally transforming auto customer journey of private customers. The paper's findings regarding the status quo are based on a literature review of academic and research-based studies on customer experience management and especially the research area of customer journey management. To provide a qualitative assessment of the future purchase journey of new vehicles, ten semi-structured expert interviews with automotive specialists were conducted in the timespan of 01/2020 – 02/2020. The results were analyzed using the method of qualitative content analysis. The findings were visualized in process-oriented heat maps to highlight trends within a scope of five years. The analysis indicates that there will be a significant change in the customer buying process. To enhance the customer experience, the modern customer journey needs to integrate digital touchpoints. Dealerships will remain important in customer interaction, however not in their current form. Results also show that online sales will increase in relevance and e-commerce platforms will be established as additional distribution channels. Finally, the key to competitive advantage will be to interconnect the physical and digital world into one seamless, holistic omnichannel approach. The topic of the digital auto customer journey is of essential importance for top managers of vehicle manufacturers and managing directors of all various forms of car dealerships.*

*Keywords: customer journey, customer experience, digital transformation, automotive retail, new car sales process*

*Category: Research project*

## INTRODUCTION

The automotive industry is currently undergoing radical changes. Next to the four mega trends: electrification, connectivity, autonomous driving and mobility services, automotive companies are dealing with new ways of selling cars. While digitalization has already revolutionized the retail landscape in other industries and online sales have become standard, the digital transformation of the automotive purchase journey is still in its early stages.

The growth of e-commerce, social media, new technologies, digital services, and mobile devices have fundamentally changed customers buying behavior and demands. At the same time groundbreakers as Tesla are disrupting the automotive industry

with innovative sales models. Additionally, digital champions such as Amazon, Google and Co. which provide best in class experiences are influencing customers' overall buying expectations and are pushing into the new car sales market. To stay competitive and meet customers' expectations, established car manufacturers are forced to adapt to these changes by redesigning their existing sales structures and optimizing the customer buying process through digital technology. Many automotive experts state that buying a car should be as easy as buying a book. Therefore, manufacturers are shifting their business models towards more digital, customer-centric, and direct sales approaches. As a result, dealers too can no longer rely on their

traditional role in the distribution system and have to embrace the digital world.

The overriding objective of the present paper is to investigate the impact of digitalization on the customer journey of new car sales in the German retail market from the first point of contact until the purchase.

## LITERATURE REVIEW/ THEORETICAL BACKGROUND

### Digitalization

Kotler and Keller (2016, p. 13) underline the impact of digitalization: "The marketplace is dramatically different from what it was even 10 years ago […]." Digitalization is one of the most significant transformations still ongoing in today's society. New technologies are pushing into the market and are not only bringing profound change in consumer behavior but are also disrupting and transforming complete industries (Hagberg et al. 2016; Roland Berger 2015, p. 3). The digital world is penetrating every area of our lives and thus shaping it fundamentally. And what is not included in this world, no longer seems to be existent (Kruse Brandão and Wolfram 2018, p. 3).

### Customer behavior

The information, communication and buying behavior of today's customer has changed significantly due to digitalization, more precisely the advent of the internet, new technologies, new media, mobile devices and e-commerce (Dierks 2017; Neslin et al. 2006, p. 96). Today's customers are generally characterized by connectivity, individuality, mobility, sovereignty, self-determination and higher expectations (Kruse Brandão and Wolfram 2018, pp. 3-7; Lee et al. 2013). Thus, the modern customer is more empowered, informed, diverse and demanding than ever (Peppers and Rogers 2017, p. 3). In today's digital society customers use social networks intensively, they can be localized by their smartphones and are perceived to be "always on", because of the omnipresent access to the internet (Heinemann and Gaiser 2016). The modern customer is also often called 'Instant Consumer'. The mentality of this emerging shopper can be distinctively described with the keywords 'I, everything, immediately and everywhere'. Key characteristics are the active search for appreciation and personalization. During their shopping experience they expect from companies permanent and immediate availability, real-time support and fast transactions. Due to mobile accessibility firms are further confronted with customers' requirements for temporally and spatially flexible interactions anytime and anywhere (Kreutzer and Land 2017, pp. 67-71; Land 2017, pp. 77-78; Parise et al. 2016, pp. 412-413).

Regarding the communication behavior one can clearly observe a shift from the sender-receiver model to network-oriented interaction, in which the consumer is at eye level with the company or even in the dominant position (Kalka and Abel 2018, pp. 5-6). In the pre-digital age customers have traditionally been seen as passive recipients, so the focus was on one-sided advertising. However, this view has mostly vanished today. On the one hand, customers are becoming active participants, so-called co-creators in the value chain. On the other hand, they are increasingly driving and influencing communication. Through recommendations, reviews and ratings in forums, social media or blogs customers exchange their experiences and thus change their position from receiver to sender (Heinemann and Schwarzl 2010, pp. 25-26; Reinartz 2018, pp. 124-125; Pförtsch and Sponholz 2019, p. 130). These word of mouth recommendations from friends, family, colleagues and advocates are often trusted more than the opinion of experts. They do not only influence other potential customers in their purchasing decision (Heinemann 2011, pp. 1-2; Ternès et al. 2015, p. 12) but also have the power to control and influence the provider throughout the entire relationship. On the other side, companies gain important insights and suggestions for improvement (Hannig 2017, p. 39).

Furthermore, the relationship between provider and digitized buyer is characterized by reverse information knowledge. Suppliers can use new technologies to obtain profound knowledge about the habits, needs and preferences of the consumers. By collecting a large amount of customer data (Big Data) and using advanced analytics tools the provider will get a deeper insight into the purchasing behavior of his customers than the persons themselves (Backhaus and Paulsen 2018, pp. 113-114). Due to the possibility of tracking customer data in real time, companies can create customer-oriented solutions (Kruse Brandão and Wolfram 2018, pp. 5-7).

The information and buying behavior is characterized by channel-hopping, the switch from channel to channel. For making one single transaction these omnichannel shoppers use various information, communication and transaction channels. Thus, they expect a seamless integration and a consistent experience from all the touchpoints (Fransewitz et al. 2017, p. 7; Parise et al. 2016, p. 412). In sum, today, it is the customer who determines on which channels a provider should be present and not the other way around (Pförtsch and Sponholz 2019, p. 510).

### Customer experience

The topic of customer experience (CX) has been discussed for several years. Already in the middle of the 19th century, Abbott (1955, p. 40) stated that "what people really desire are not products but satisfying experiences". In 1998, Pine and Gilmore (1998) unveiled the emerging 'experience economy' today. Even though many studies have dealt with the CX in the past, there is still a lack of uniform understanding of the term (Lemon and Verhoef 2016). However, there is widespread agreement that customer experiences have a holistic, multidimensional as well as subjective character (Meyer and Schwager 2007, pp. 2-4) involving the totality of a customer's behavioral, cognitive, emotional, sensory, social, and spiritual responses to any direct or indirect interaction with another market participant (De Keyser et al. 2015, p. 23; Gentile et al. 2007; Homburg et al. 2017, p. 384; Lemon and Verhoef 2016, pp. 70-71; Schmitt 2003). Thus, CX is defined as the sum of a customers' impressions of a product or company at all touchpoints during the entire customer relationship (Holland and Ramanathan 2018, p. 345; Peppers and Rogers 2017, p. 22).

Building on the findings of CX, business practice is concerned with the management of experiences, known as the customer experience management (CEM). In the literature, CEM is understood as a management strategy (Grewal et al. 2009), process (Schmitt 2003, p. 17; Schmitt and Mangold 2004, p. 23) or concept (Verhoef et al. 2009, p. 38) for holistically designing the customer experience at all touchpoints. Since today most firms operate in an omnichannel environment, it is essential to ensure the experience within and across channels. The main goal of CEM is to generate outstanding experiences that promote enthusiasm, enhance customer trust, relationship, loyalty, advocacy, and increase retention and profitability of the firm (Grewal et al. 2009; Frow and Payne 2007, pp. 93-95; Lemon and Verhoef 2016; Löffler and Gouthier 2017, pp. 56-60; Pförtsch and Sponholz 2019, p. 352). Digitalization of customer interaction results in numerous benefits for customers and companies. Especially the benefits resulting from faster interaction between the market participants is useful as a differentiation strategy.

### Customer journey

While marketing literature reported on the customer journey (CJ) at a relatively early stage in the context of CEM, the increasing importance in business practice can only be seen in the last few years. Customer journeys describe the interaction of an end customer with a company or product across different phases and points of contact, so-called touchpoints (Zinkann and Mahadevan 2018, pp. 158-159). The customer journey design is an approach to develop holistic, systematic and customer-centric marketing strategies. The aim is to gain an in-depth understanding of the customer's buying behavior, his needs and problems. By properly designing the CJ, the CX can be improved (Fransewitz et al. 2017, pp. 7-8; Daubner and Hüning 2019, pp. 88-91).

### Automotive distribution system

The upsurge of digitalization and CX is changing the sales model and the CJ in the automotive industry, leading to new touchpoints, channels and players. Currently established players try to react to this evolvement aiming to enhance the CX by integrating an increasing number of digital touchpoints along the CJ. Digital services, virtual and interactive elements gain in relevance both, in stationary stores as well as along the online buying process. New retail formats emerge and online sale is considered as an additional distribution channel next to the brick and mortar stores (Kahl and Lampinen 2015, pp. 8-11; McKinsey 2014, pp. 7-15).
Figure 1 provides an overview of the current distribution system and retail structures in new car sales in Germany.

In the automotive industry the direct sales channel occurs in two forms, namely as central distribution via sales departments and decentral distribution via company-owned plant branches, often called as "own retail". Another form of centralized direct sales is the manufacturer's online sales model (Diez 2012, pp. 2-3).
Up until today, the indirect sale via authorized dealers -independent traders who purchase and sell vehicles in their own name and for their own account (Ahlert 1991, p. 215) - is by far the most important and dominant sales channel in the automotive distribution structure (Diez 2012, p. 6). However, from the customer's point of view, subsidiaries of the manufacturer and authorized dealerships hardly differ from each other (Fritz and Graf 2006, p. 5). The indirect sales can be subdivided into single stage systems and multi-stage distribution which in addition to the authorized dealers (so-called main, A or direct dealers) includes a further sales stage (so-called sub-dealer, B or partner dealers) (Diez 2012, pp. 8-9; Diez 2015, p. 212).
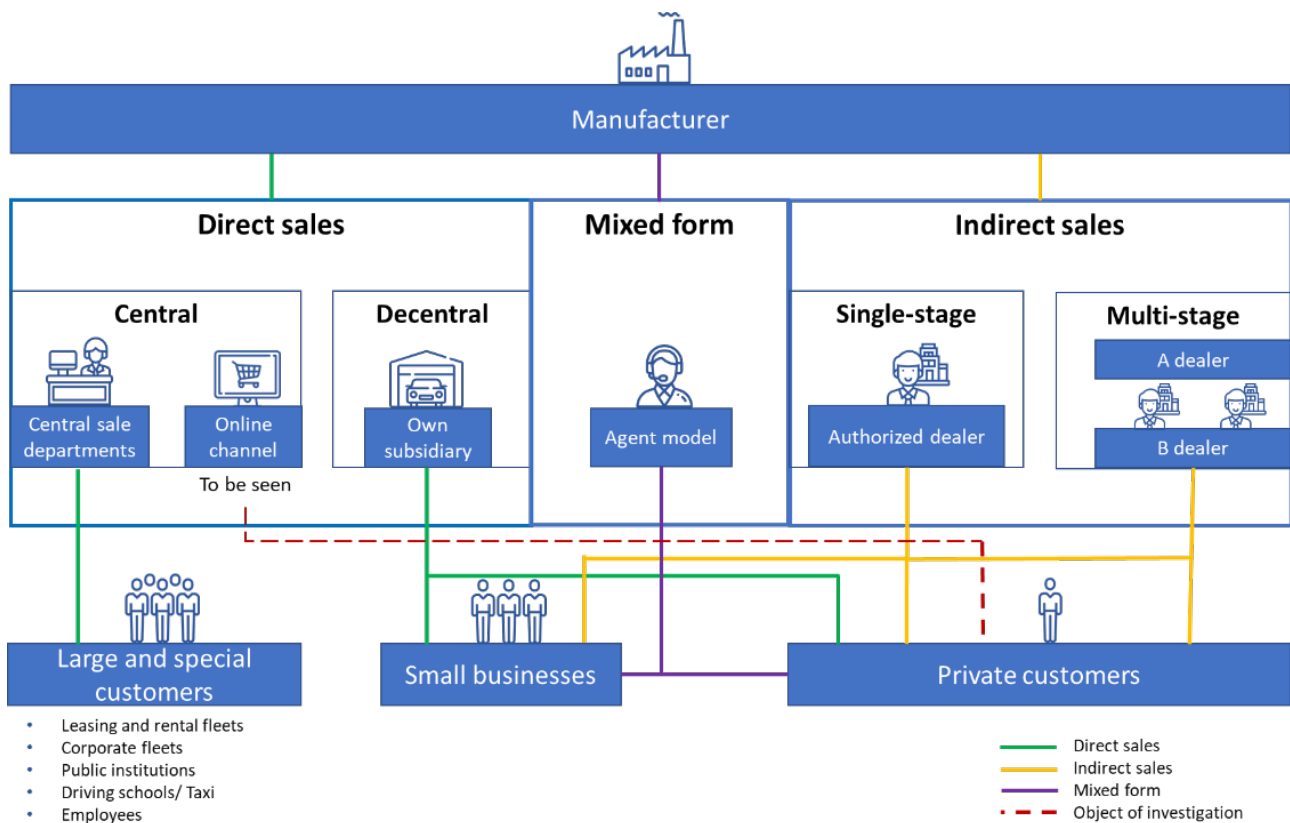
Figure 1: Distribution system in the German automotive industry

## METHODOLOGY

The insights about the future CJ of new car sales provided in this paper are based on qualitative interviews with integrated quantitative elements. More specifically, ten interviewees were asked to rank predetermined touchpoints according to their importance. In addition, they always had the opportunity to name other contact points and explain their decision. For this purpose, the method of semi-structured interviews was applied based on expert interviews (Bogner et al. 2014, pp. 27-28). Expert interviews are used to obtain specific knowledge, opinions and assessments about a subject. The expert serves as the medium that provides detailed information (Gläser and Laudel 2009, pp. 11-15).

### Method of analysis and evaluation

The collected data is evaluated with focus along a self-developed customer journey. In this way, it can be clearly shown to what extent digitalization will have an impact in each phase along the buying process.

The valuation of the individual touchpoints is visualized in a heat map. There are numerous methods available for the evaluation and interpretation of the qualitative data obtained. The transcribed conversations are often structured with the help of categories in order to compare the individual expert opinions (Flick 2014, pp. 214-216). In this paper, the analysis is built on a qualitative content analysis by Kuckartz (2014, pp. 37-63), Mayring (2015, pp. 50-103) and Schreier (2014, pp. 5-8). The qualitative content analysis is aiming to systematically reduce and structure the information according to the objective of the research (Bortz and Döring 2006, pp. 328-331; Gläser and Laudel 2009, p. 200; Mayring 1995, p. 209). By means of a category system the text is searched for relevant information. These text passages are then assigned to the individual categories (Atteslander 2010, pp. 188-192; Mayring 2015, pp. 61-65). In this analysis, the answers of the interviewees were allocated to use cases which constitute the categories and the associated touchpoints representing the subcategories.

**RESULTS**

The aim of the research approach was to find out how digital/ physical the individual phases in the CJ are today and how they will develop over the next 5 years. In every use case the same amount of digital and physical touchpoints was defined in order to get unbiased results.

Figure 2 provides an overview of the findings along the CJ. The heat map was used to represent the result of the collected numerical data graphically in different colors. The touchpoints that have the highest value relatively to the others are in red, while green represents touchpoints with the lowest value and yellow is in the middle.
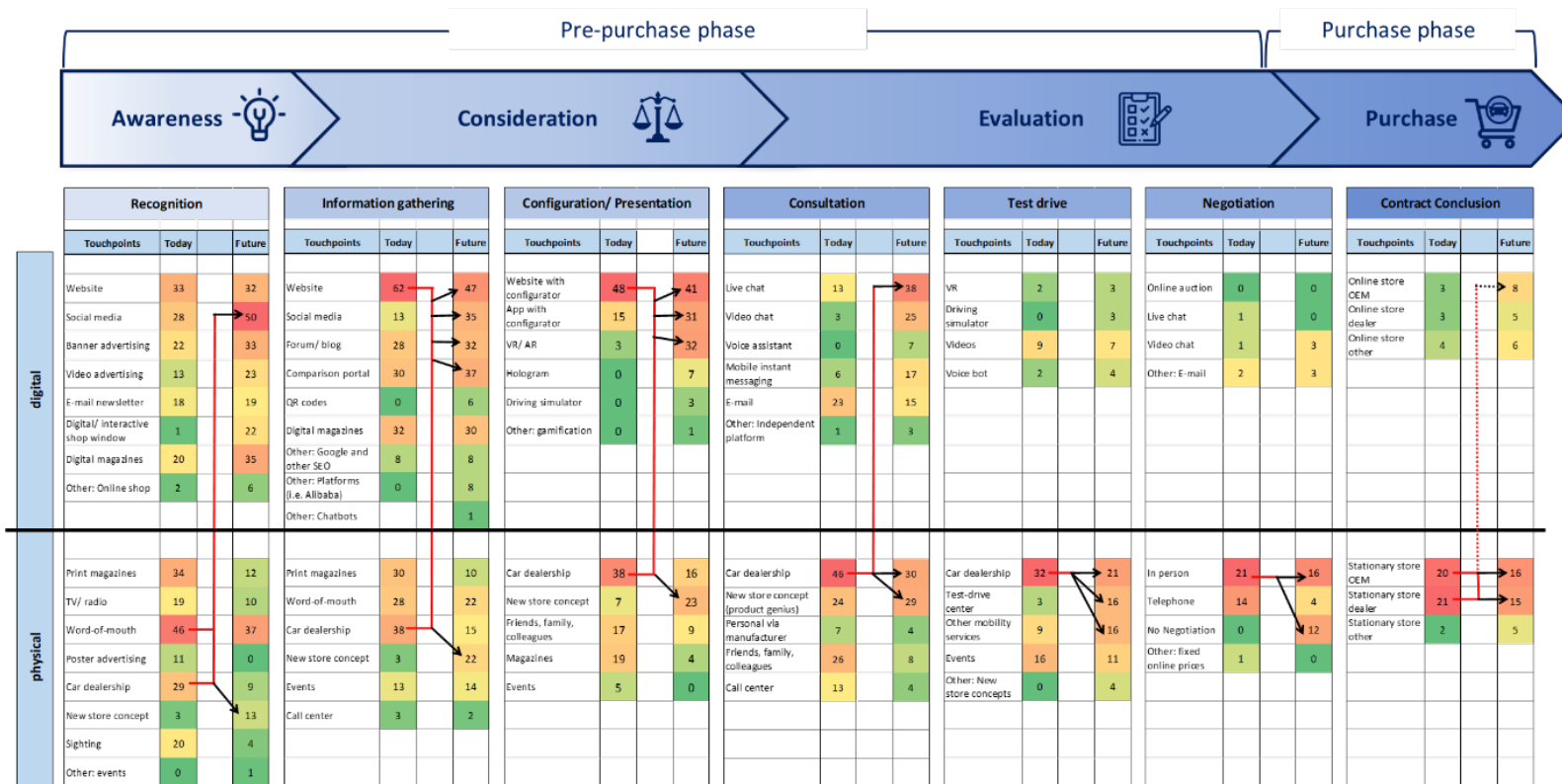


Figure 2: Results along the customer journey phases

In the following, the future development of the CJ of new car sales in the German retail market will be evaluated step by step.

### Recognition

In the first phase of the CJ - the awareness phase - all the digital touchpoints gain in importance in the next 5 years, whereas all touchpoints defined as physical become less important except new store concepts. While today word of mouth is a very important and influential touchpoint for new car buyers to generate awareness, in 5 years this will shift to the digital world towards social media. In principle much more emphasis is placed on the customer experience.

### Information gathering

In the information phase we can see a similar development: the physical touchpoints further decrease in importance and relocate to digital contact points. Whilst today the websites of manufacturers and dealers are by far the most important information sources, the importance will spread over several digital touchpoints like social media, brand-independent comparison portals, new car portals, forums and blogs in the next 5 years.

### Vehicle presentation and configuration

In general, the manufacturers' websites with configurators, 3D presentation and videos as well as the real vehicle presentation at car dealerships are the most relevant for seeing and configurating the vehicle today. In the upcoming 5 years the presentation and configuration will shift towards enhanced digital touchpoints and new store concepts with virtual reality technology.

### Consultation

Today consultation is sought personally in the car dealership. Over the next years, however, personal consultation will be combined with digital solutions and devices in stores. As customers highly value real time response, wherever and whenever they need it, live and video chats will become an increasingly important role.

### Test drive

Today as well as in the future the real test drive at car dealerships is the most elementary touchpoint. Since the vehicle is one of the biggest investments, customers still want to see, feel, touch and experience the car in real, especially when new cars like electric vehicles appear on the market. However, in the future we will have different kinds of test drive possibilites such as experience-providing test drive centers or home test drives. Additionally, mobility providers of carsharing, rental or subscription models will become more relevant for test drive offers.

### Negotiation

The negotiation is and remains to be carried out with the dealer in person. However, one can observe that due to the trend towards direct online sales models and thus multichannel sales, fixed, uniform prices will become increasingly common over the next 5 years. In this event, no negotiation will take place.

### Contract conclusion

Today, the contract is concluded basically via physical stores - the dealerships. Online purchase options are still in progress, only exist in low numbers and have more of a pilot character at this present time. In 5 years dealerships will still remain the primary channel of contract conclusion. However, a trend towards online sales of manufacturers can be observed, especially for simple, cheap, electric and pre-configured cars. Additionally, brand-independent suppliers and big e-commerce players will increase in relevance. Seen in a future perspective, the online store will transform into a digital ecosystem bundling all products, services, accessories and the opportunity to select between different mobility and financial solutions.

### Traditional dealership vs. new store concept

Another tendency that can be observed is that traditional car dealerships will become less relevant while new retail formats with a focus on digital experience will become more important.

When summing up the value of digital and physical touchpoints, we can observe that the entire journey will become more digitalized in the upcoming 5 years. Both the availability of digital contact points and their importance is significantly higher during the first half of the CJ than during the downstream phases. Figure 3 presents the comparison of today's and the future CJ.
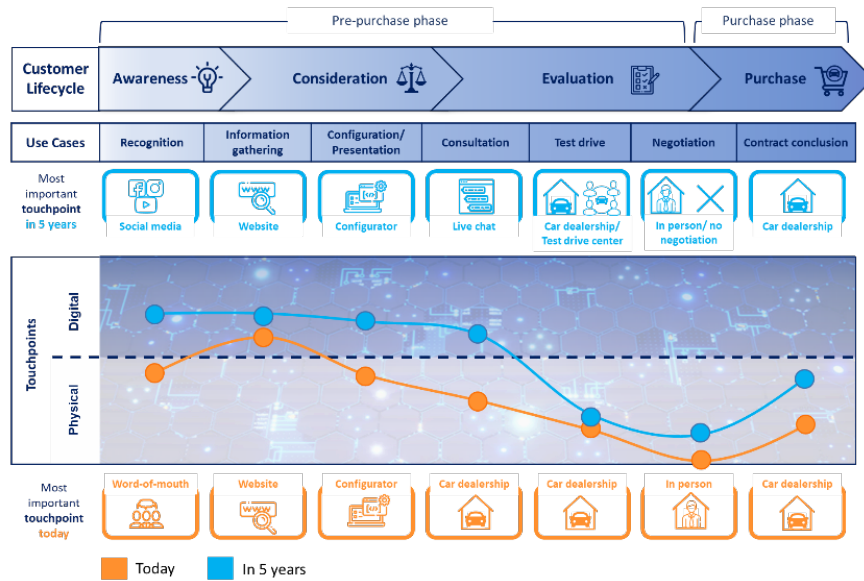
Figure 3: Comparison of today's and the future
customer journey

While the communication, information and consultation phases are mainly processed online, test drives, negotiation and the contract conclusion will mainly be carried out personally at on-site dealerships. In sum, it is difficult to completely replace the personal in-store channel.

## CONCLUSION

In general, digital touchpoints will rise in importance along the entire journey. While the sub-processes in the awareness and information phase have high digitalization potential, the test-drive, contract conclusion and handover make the establishment of a completely digital journey difficult. Online media as well as new technologies like augmented and virtual reality, live and video chats will increasingly take center stage regarding customer interaction. However, the digital experience is complementing and enhancing the physical buying experience rather than replacing it. These findings confirm that the future customer journey will consist of both digital and human interaction at all points of the journey. The research also shows that next to manufacturers' own websites and online sales platforms, digital channels like social media, comparison portals, independent new car platforms and established e-commerce platforms will increase in relevance in the upcoming years. Thus, it can be observed that new online players are pushing into the market trying to occupy the customer interface.
This research underpins that digitalization is changing the automotive industry. However, how advanced the digital transformation will be in the upcoming years

depends on the extent to which automotive players are willing to let it happen. Manufacturers have to rethink their traditional sales models and set up a consistent direct online sales system next to digitally enhanced showrooms. The real-life experience with the car will always be an important physical touchpoint in the buying process which has to be reviewed and advanced. Customers should get the opportunity to choose between digital and physical-personal touchpoints throughout the entire buying process and to carry out the process whenever and wherever they want. In order to provide seamless, convenient and engaging customer experiences, the optimal solution will be an omnichannel approach by integrating the online and offline world.
To conclude, the customer journey of new car sales is facing a new era due to changed customer behavior, new sales strategies, advanced technology, disruptors and new market entrants from outside the industry. The digital transformation entails both opportunities and risks.

## RECOMMENDATIONS

Based on the research conducted the following recommendations for actions can be drawn for practitioners and managers of vehicle manufacturers and car dealerships:

- Engage with customers via social media, provide relevant, professional information and generate first party customer data.

- A professional and trustworthy online presence

is a decisive factor since the information gathering is largely transferred into the digital world and the websites of original equipment manufacturers (OEMs) and dealers are one of the most important information sources.

- Use digital services and virtual technologies to complement and enhance the showroom and car experience. In order to improve the showroom and car experience, the key will be to introduce new, digital retail formats by transforming the current dealership model into a modern, profitable and innovative sales format that combines the strengths of today's network with the advantages of digital solutions.

- OEMs and dealers should offer the possibility of personal and digital advisory services along the entire buying process. Hereby, it is recommended to engage product geniuses in-store, and online agents on digital channels who advice via live or video chat.

- Offer convenient test drive experiences, provide home test drives or build up test drive centers to increase the experiences. When working together with carsharing providers and rental companies, OEMs and dealers are requested to secure access to customer data.
- Manufacturers are encouraged to set up an online direct sales system in addition to the physical sales channels so that every customer can choose his preferred transaction channel. Simple, low-priced, electric and pre-configured stock vehicles show a particularly high suitability for online sales solutions. Looking to the future, OEMs are advised to launch a bundled product and service portfolio online.

- It is recommended that OEMs switch to an agent model to enable direct sales while retaining the vast network of dealerships. This offers car makers the chance to control and integrate all on- and offline channels and provide customers a seamless journey.

- An integrated omnichannel system that offers customers the possibility to switch between on- and offline media at every step of the new vehicle process without any noticeable breakpoints should be a major objective.

- In order to prevent cannibalization of channels and provide the customers with security, prices should be uniform and transparent across all channels.

- A comprehensive omnichannel approach requires a closer collaboration between different business units within the company as well as between manufacturers and dealers. Thus, OEMs and dealers are encouraged to align marketing activities, build a common customer database and interconnect their systems and CRM processes.

- Manufacturers need to shift from their old established systems to a leaner, more agile network in order to react faster to changing customer behavior and respond to unexpected disruptions. To drive innovation forward, actions need to be agile and flexible.

- Train employees on digital services and new sales formats as new sales models and digital technology require staff with appropriate skills and competences.

## LIMITATIONS

In order to understand the digital customer journey in the automotive industry in a comprehensive manner, future research should further take the after-sales and used car sector into account. Moreover, the subject of this research has been investigated in the German automotive market. The findings could therefore differ from those for other countries. Another question for future investigation that needs to be answered is how the four mega trends of (digital) transformation in the automotive industry - connectivity, autonomous driving, shared mobility and electrification - will impact the new vehicle sales. In addition to these limitations, the effects of the current coronavirus outbreak should certainly be investigated as soon as reliable data is available. In this regard, it will be interesting to analyze if the crisis leads to greater digitalization of the auto customer journey.

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# DEVELOPMENT OF THE SALES ACADEMIC DISCIPLINE: THE EARLY YEARS

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*Abstract*

*This paper describes the early development of the sales academic discipline. While many universities now offer various courses in sales, that was not always the case. A little over one hundred years ago, there were no academic journals, hardly any trade magazines, and few books devoted to the topic of sales or sales management. This paper explains the origin and traces a number of early advancements in this important field of study. It provides context for the work now performed by hundreds of thousands of salespeople and sales managers around the globe. It also provides important background for the discipline which is now taught by sales scholars but was once unknown. Conceptual and applied developments are discussed and educational efforts along with landmark books and trade magazines are examined. The paper shows that concepts in sales frequently assumed to be new or "modern" were often addressed early in the genesis of this area of study and field of work that employs so many people. A historical timeline is also provided, tracing the development of conceptual contributions to sales during its early years.*

*Keywords: Sales, Sales Management, History, Education*

*Article Category: Conceptual Paper*

## INTRODUCTION

Within professional schools of universities, academic disciplines typically emerge after it becomes apparent that there is a need to teach people who work within the field or after the development of highly innovative new technologies. While some form of sales has existed since the first exchange of goods or services took place, it was unusual for firms to employ people to perform the function prior to the industrial revolution. As firms grew in size, markets grew more diverse, production capacity increased and firms sought growth, however, workers secured selling positions and the need for them to become more productive soon became evident.

The way that goods were sold in economies around the world remained relatively static prior to this time but changed substantially during the later half of the 1800s. Prior to 1850, for example, it was exceptionally rare for a firm to specifically identify employees as salespeople or as sales managers. Instead, most people who devoted considerable portions of their working time to selling were most often independent merchants who bought goods and then tried to sell them to others at a profit – much like a retail store on wheels that traveled from town to town.

To understand why firms seldom employed salespeople prior to about 1850, it is important to know a bit about the context or history of selling. Powers et al. (1987), Friedman (2004), and Spears (1995) have provided insightful and thoroughly researched depictions of selling in the 1800s. These

researchers described a very different world of selling in which firms were usually quite small, most people worked on a family farm, the population was primarily rural, very few people graduated from high school, communication was slow or lacking (the telephone was not even invented until 1876), roads were often unpaved or not yet built, and demand typically exceeded supply.

In addition, Church (2008) pointed out that prior to 1850, most firms were small or at most medium size enterprises. The owner or a family member usually performed the very limited selling role, which was often no more than handling the exchange process. There was certainly no need for a sales manager under such conditions. Maybe even more important for explaining the lack of sales focus during that era was that it was unnecessary for marketers to develop sophisticated selling methods in order to succeed. When demand exceeded supply, as was the case in much of the 1800s, products tended to sell themselves (Fullerton 1988).

Once the industrial revolution took hold, lots of conditions changed. There was fragmenting of markets and increasing intensity of competition coupled with growing acceptance of scientific management techniques. This prompted business owners to begin to rein in their heretofore freewheeling salespeople in the late 1800s and early 1900s. The position of sales manager began initially with a narrow role, similar to that of the factory foreman, gradually expanding in influence over time. Considerable substantive content was developed during those early years as it was a very fertile period of time for scholars and practitioners. This paper outlines some of the most significant of these advances and provides a timeline of important historical events in the evolution of the sales discipline.

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| 1830-1840 | Wholesalers' credit investigators take on selling functions with retailers in the field. |
| 1850-1870 | "Drummers" meet retailers as they arrive in major commercial cities to view new product lines to steer them toward their respective wholesale firms. The drummers eventually go into the field to solicit orders. |
| 1888 | Printer's Ink begins publication |
| 1884 | National Cash Register (NCR) offers exclusive sales territories and allows commission salespeople unlimited earnings. NCR establishes the first known sales quota system and recognizes the importance of the link between advertising and personal selling. NCR develops the first standardized sales presentation. |
| 1894 | Rejecting the notion that salesmen are born not made, NCR establishes the first sales program on April 4, 1894. The first sales training manual, The NCR Primer, is developed to assist in sales training. Later, the Book of Arguments is published, and these books are combined into a comprehensive sales training manual, entitled The Manual. |
| 1897 | NCR creates nine District Manager positions domestically to "look after" areas in the USA. |
| 1900 | System: The Magazine for Business begins publication. |
| 1902 | NCR holds its first "School for District Managers." Previously, they were called conventions. |
| 1900-1915 | The first sales managers are employed to supervise salespeople of major wholesalers and manufacturers. This coincides with a change in conceptual thinking that salespeople and the firm can benefit from supervisory management. Firms also begin to view customers as assets that are affected by salespeople and management's laissez faire attitude toward salesperson performance diminishes. The primary concern of sales management is selection, supervision, and control of salespeople. Salespeople are still generally viewed by most as born not made. |
| 1901 | A marketing course at Dartmouth University includes sales management topics. |
| 1905, 1901, 1911, 1919 | Dartmouth University offers a course whose description includes content clearly sales management in nature (1901). A later course description contains the phrase "selling and the organization and management of the sales force" (1911) (Maynard 1951.) In 1919 Dartmouth offered a course entitled "Sales and Advertising Management." Professor Harry Wellman, a former sales manager in the candy industry is instrumental in pioneering collegiate sales management instruction developing this early sales management course. |
| 1911-1912 | Walter Dill Scott's "The Psychology of Business, Advertising and Salesmanship" course at Northwestern links selling and advertising together as one business function. This combination is the precursor of the promotional element of the marketing mix. |
| 1913 | Charles Hoyt publishes the first significant text on sales management, Scientific Sales Management. He applies Taylor's emphasis on efficiency as the objective of the sales manager in his role as the link between the firm and the salesperson. |

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| 1914 | Butler, deBower, and Jones cover sales management issues in their book Marketing Methods and Salesmanship. Some of the important topics discussed are: (1) qualifications of the sales manager; (2) salesperson selection and testing; (3) sales training; (4) compensation; salesperson evaluation; (6) forecasting; (7) sales force contests. |
| 1915 | John G. Jones offers a sales management course at New York University which includes the following topics: (1) salesperson selection; (2) training; (3) planning sales equipment; (4) compensation; (5) territory problems; (6) sales contests; (7) conventions; (8) and quotas. Ralph Starr Butler, at the University of Wisconsin's School of Commerce, offers "Sales Administration." |
| 1916 | Salesmanship is being taught in high schools (Stone 1918) and in "Opportunity School" (La Due 1918). |
| 1916 | Walter Dill Scott fails in his attempt to develop a psychological test that is predictive of salesperson performance. He creates the triple interviewing process and a rating scale to standardize interviews. |
| 1918 | Sales Management: A Monthly Journal in the Interest of Better Marketing publishes its first issue. This trade magazine would later become Sales and Marketing Management. |
| 1918 | John G. Jones writes that sales management is more than mere supervision. He sees that sales manager as responsible for organizing the selling effort. He states that organization is more important in selling than it is in other functions of the business because the management of salespeople determines the volume of business. |
| 1919 | J. George Frederick  introduces the concept of trading areas as decision variables and warns of the dangers of psychological testing  for  selection. He assigns broad responsibilities to the sales manager, duties that would later come to define the marketing manager. |
| 1920 | Harry Tosdal offers a sales management course at the Harvard Graduate School of Business which includes the following new  topics: (1) structure of the sales organization in manufacturing and wholesale firms; (2) sales research and investigation; (3) formulation of sales policies; (4) preparation and execution of selling plans. |
| 1920 | Fred Clark offers "Selling Policies" course at Northwestern. |
| 1920 | The "Sales Era" begins and continues until about 1950. During this era firms are concerned with developing mass distribution systems to match their mass production capabilities. Personal selling is viewed as an important stimulant of demand and there is increased focus on sales force performance and the status of the salesperson increases. Sales management policies and techniques are relatively mechanistic, reflecting the influence of Taylor's scientific management approach. Topics include: (1) "scientific" call planning and routing; (2) "canned" sales presentations; (3) product knowledge training; (4) "hard" or producer oriented selling styles; and (5) heavy use of sales contests. The literature reflects summaries of necessary personal characteristics for successful selling, but authors recognize that additional interpersonal skills are required beyond a pleasing personality. |
| 1921 | University of Michigan offers a sales management course. |
| 1921 | Boston University offers a sales management course. |
| 1921 | Harry R. Tosdal sees the sales manager as the executive who integrates the other elements of the marketing mix with the sales force and thus must have more skills than the high performing salesperson. He recognizes that the "star" salesperson often makes a poor  manager. |
| 1922 | Frederic Russell publishes Management of the Sales Organization. |
| 1924 | Ohio State University offers a sales management course. |
| 1924 | R. S. Hall emphasizes: (1) reducing selling costs; (2) the importance of accounting data, especially to analyze profit per salesperson; (3) and the need for systematic recruitment policies and procedures. The growth of cost accounting systems allows the development of profit-based commission plans. |
| 1925 | University of Pennsylvania offers a sales management course. |
| 1925 | Harry Tosdal adds the following two concepts as justifications for sales force supervision: (1) the importance of keeping salespeople up to date; (2) the salesperson's need for emotional support. |

Timeline: Development of Sales Management Thought and Practice

## TRADING BEFORE THE INDUSTRIAL REVOLUTION

Throughout Western history the salesperson or "trader" was not highly regarded by society. In ancient times, Aristotle and Plato were strongly opposed to promotion and selling as forms of persuasion. Businesspeople were called upon, by these sages, to conduct their transactions in a passive manner. Puffery was ranked as a crime equal to adulteration of goods (Kelley 1956.) During the Medieval and early Renaissance eras, even though the trader was an important economic force, the guild system fostered a negative attitude toward promotion. Persuasion was even considered to be a form of "unfair competition tantamount to 'stealing' the other (guild) members' income" (Kelley 1956).

The demise of the guild system, in decline through the Renaissance period, the Protestant Reformation, and the arrival of the industrial revolution, enhanced the influence of businesspeople. Commerce came to be seen as key to economic. health and growth. The cultural, and sometimes the legal, impediments to selling and promotion were relaxed. Selling and promotion, though never fully escaping suspicion, were generally becoming accepted as necessary by Western capitalist societies in the last half of the 1800s.

In centuries past, demand for most goods outstripped supply. The limited capabilities of production facilities seemed to decree that this would be the case. Selling, as well as management of the sales force, was relatively easy because as a rule there was no shortage of willing buyers. By 1900, however, the strong sellers' markets of the previous decades started to wane, and firms began to look for ways to stimulate demand. Consumers became more sophisticated and discriminating in their purchases. The growth of mass merchandisers also encouraged many manufacturers and wholesalers to increase their investment in advertising and/or personal selling (Chandler 1977.)

## THE FIRST SALESPEOPLE[1]

Four occupations in the late 1700s and into the 1800s in Europe and North America can now be considered forerunners of the modern salespersons position. The first of these predecessors was the "commercial traveler." Many of these merchants were widespread during the 1800s in numerous places around the world, for example, in the United Kingdom and especially in Great Britain. These sales agents were often young, shrewd, and suave with great adaptability based on the situation faced (Stimson 1839). These commercial travelers represented only certain specific manufacturers (called their principals) and called on retailers to show samples and provide descriptions of what was available to order for delivery by mail. The commercial traveler was typically given discretion over which merchants were granted credit (Stimson 1839).

The second ancestor of the modern salesperson was the credit representative of the early 1800s (Anderson et al. 2020). Wholesalers and manufacturers, beginning in the 1830s, employed these people to resolve payment problems and evaluate creditworthiness. Credit representatives began to take orders solely as a convenience to customers. Gradually this function became more important than the credit role. Credit functions were still performed by sales departments, however, until the Second World War and marketing and sales management texts of the first half of this century typically included chapters on credit procedures and problems (e.g., Maynard et al. 1927).

Another was the peddler (Anderson and Hair 1983; Friedman 2004). Typically, in the early spring these brave entrepreneurs loaded wagons, boats, and even backpacks with the necessities of life and visited towns to sell their wares. They often stayed on the road away from home for five or six months. Many of these peddlers settled down and later opened trading posts and general stores in outlying settlements.

The final forerunner of the modern salesperson was the "drummer." Drummers were important in the economic life of the times (Atherton 1945). These salespeople were employed by major wholesalers of the mid-nineteenth century to greet retailers who had come to London, New York, or another major city to view new product lines. Drummers met buyers at the train and attempted to persuade them to view their firm's product lines before considering other lines, absorbing as much of their open-to-buy position as possible (Anderson et al. 2020). Competition gradually forced this process to progress beyond simply meeting trains and drummers began visiting retail stores to speak with owners or their buyers.

## THE FIRST SALES MANAGERS

During the early 1900s, a confluence of numerous forces and developments led to taking the first steps toward formalizing the field of sales management. As we have seen, many turn-of-the-century salespeople were straight commission agents, operating totally independently of the companies using them to sell their goods. The application of Frederick W. Taylor's scientific management concepts to selling came after it had first been applied to manufacturing operations Wren 2011). This occurred because most

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1 Throughout this paper on the early years of the sales academic discipline, we use gender neutral terms such as salespeople or sales agent unless a direct quotation is being provided. This is done to be consistent with current practice, but nearly all field or outside (not retail clerk) sales workers were men during those times.

businesspeople, and the population in general, believed that selling was an art, or a natural ability. Good salespeople were born, not made, so it was thought that they could not benefit from effective management (Goddard 1889; Townley 2019).

Many in commerce also believed that supervision was not necessary for salespeople paid by commission. It was reasoned that, under the straight commission method of payment, good salespeople would be automatically rewarded and stay with the firm. Poor ones would be unable to support themselves – and would resign. Thus, the commission compensation plan made supervision superfluous. Management typically did not consider customers to be assets whose value was determined by the performance of the salesperson. Management generally ignored the opportunity costs of allowing a poor salesperson to occupy a territory.

In a sense, some firms "protected" themselves against poor sales representation. It was not a common practice to grant exclusive sales territories. Companies often allowed numerous salespeople to work within a given geographical area so that poor performing salespeople would not prevent the company from attaining sales within that territory. The problems associated with such a system are now obvious, but were almost always ignored prior to the revolutionary strategy employed by National Cash Register Company (NCR)[2] in 1884 when they became the first company to offer exclusive sales territories and unlimited earning potential to its salespeople (Hawes 1985). Many thought the notion was silly at the time, but their success led many to change that view.

The laissez faire attitude toward salespeople had clearly begun to change by the turn of the century. The influence of NCR's practice of actively managing its salespeople and of Taylor's scientific management principles was powerful. New psychological theories suggesting the possibility of better understanding human behavior in order to improve salesperson selection and performance were also being propounded (e. g., Ayres 1913; Schultz 1936). Businesspeople were becoming increasingly convinced of the need to focus their efforts on sales force management.

Another, perhaps more important, influence was the changing economy. By the early 1900s the old sellers' market was disappearing. Supply had caught up with demand. As a result, competition became increasingly intense. Management was forced to be more concerned with customer relations and profitability (Bartels 1976.) Consequently, sales management techniques and methods were

2  This company was officially named the National Cash Register Company until it was changed in 1974 to the NCR Corporation. Even in the early days, however, many people shortened it to N. C. R. or even "The Cash." For simplicity, we will henceforth simply refer to the firm in this paper as NCR.

developed to improve the competitive abilities of firms operating in this new environment.

During this period (1900-1925) the sales manager was typically seen as a supervisor, somewhat analogous to the shop foreman. Given the great independence with which salespeople had operated prior to the general implementation of sales management, it is logical that the role would be one of coordination, support, and liaison. Primary concern was with the selection, supervision, and control of salespeople. During the 1920s, a few writers offered a broad definition of sales management functions which included what we now think of more so as marketing tasks.

## A PIONEER IN SALES: NCR

During the 1800s, many salespeople were paid a commission on goods sold and thought of as an entity almost totally apart from that of the manufacturer's own organization. Therefore, these manufacturers provided very little assistance to those salespeople. Business historians consider the National Cash Register Company (NCR) to be one of the first company to make a substantial investment in training its sales representatives and a pioneer in sales management. NCR began this work shorty after it was formed in 1884. It must be acknowledged, however, that NCR's work in this area may not have been as novel as is often claimed. Singer, Sears, Macy's, and Wanamaker's also had early training programs focused on retail selling (Anderson et al. 2020). Several publishing firms and some insurance companies also provided scripts and other forms of instruction to salespeople.

NCR was the first company, however, to establish a school to teach basic selling skills through a formal training program (Townley 2019). While NCR had initially used independent sales agents, who were paid by commission without much direct supervision, in 1897 NCR reorganized its selling operations within the United States by geography and established nine sales districts. Each of these districts was to be "looked after" by a District Manager.

*He shall visit and check up (on) the agencies in his district frequently and look after completion; see that the men are thoroughly posted; in fact, be responsible for the general conduct of all of the agencies in his charge (District Managers Named 1897, p. 237).*

NCR's tremendous sales success was at least partially due to its innovative sales training and sales management practices. NCR as able to dominate its market for many years. In fact, during the period of time between 1910 and 1920, NCR held a share of the cash register market that was estimated at 95 percent domestically and more than 75 percent worldwide (Cortada 1993, p. 70). That extraordinary

level of success encouraged other firms to emulate NCR's sales practices.

As had been its precedent with salespeople, NCR was also one of the first companies to provide training for its District Managers. The first School for District Managers was conducted by NCR from June 16 to 21, 1902 (School for District Managers 1902). Prior to that instance, those meetings had been called "conventions" and one of particular note took place from December 27, 1899 to January 3, 1900 in Dayton (Convention at the Factory 1900). This enabled NCR to better conduct their operations and they continued to dominate the market for many years.

## TRADE JOURNALS AND BUSINESS MAGAZINES

With the current overabundance of media and other sources of learning materials for sales, it seems strange to consider a time in which there were few sources of such information available. In the 1800s, however, that was truly the case. While there are thousands of business publications/trade journals now available and much more information available online, as late as the 1880s only a few were publishing articles relevant to sales. There was one publication called Hunt's Merchants' Magazine (e. g., Stimson 1839) and another called Commercial Travelers' Magazine (Friedman 2004, p. 65) which included lots of articles about the varied state and local laws regarding selling activities as well as travel, lodging, and other challenges of being on the road. In addition, D. M. Barrett founded a magazine titled Salesmanship which was first published in 1903 (Friedman 2004; Hollander 1964, p. 485). We also found a magazine titled The Sample Case which commenced publication in 1891 as the house organ of the Order of United Commercial Travelers of America which had begun 1888 as a fraternal society to provide accident insurance and other benefits for traveling salespeople (commercial travelers) and their families (UCT History 2020).

Fortunately, advertisers were interested in selling and sales management, too, so Printer's Ink: A Journal for Advertisers began publication in 1888 and published many important articles about sales. In 1900, System: The Magazine of Business began publication and a substantial proportion of its content dealt with sales issues. That magazine later changed its name to what is now much better known as Business Week.

While Printer's Ink and System published many hundreds of articles relevant to sales, there still had not been not yet a periodical devoted to sales until 1918 when Sales Management: A Monthly Journal in the Interests of Better Marketing published its first issue. This was a landmark moment in the development of the sales academic discipline. This periodical was needed to spur interest in the field and to provide materials and content for educational and academic interests. The introduction of this new publication also reflected recognition of the growing interest in and importance of sales activities. This magazine later became known as Sales and Marketing Management and is still published (and online) today.

## SALES PROFESSIONAL ASSOCIATIONS

For a field of employment to become a profession, it needs professional associations (Hawes et al. 2004). In the late 1800s, salespeople began to assemble and form such groups. An early example of one such group was the Society of Commercial Travellers based in New York and the Commercial Travelers Association of Chicago, both formed in 1869. Both were formed to lobby against licensing requirements. Another group was called the Travelers Protective Association of America and it was established in 1882 in Chicago. A similar organization called the Order of United Commercial Travelers of America was founded in Columbus, Ohio in1888 by eight travelling salesmen (Friedman 2004). Much of the work of those early sales associations was directed toward insurance benefits and lobbying for favorable legislation as well as providing a social function during meetings.

The discipline took a huge step forward in 1916 when the World Salesmanship Congress was held in Detroit. As was the tradition of the times, a commemorative photograph was taken and is shown in Exhibit 2. The event was organized by D. M. Barrett, the publisher of Salesmanship magazine. Over three thousand people attended, and the President of the United State was the keynote speaker. Academic, consultants, and leading executives such as John Patterson gave presentations. The event had a goal of promoting the dignity of salesmanship and the establishment of national and regional sales clubs. It was a success on the improved dignity issue, but the development of a national and local sales clubs did not achieve such impressive results.

Picture 1. Photograph of the Salesmanship Congress of 1916*
*Courtesy of the Burton Historical Collection, Detroit Public Library. Used with permission.

## HOYT'S TEXTBOOK

An important book, considered by many to be the first American sales management text, was published in 1913 (Hoyt 1913.) It positioned the sales manager as the link between salespeople and the firm. The sales manager's major responsibilities were to cooperate with salespeople and increase their efficiency. Business authors of the period noted that many experienced salespeople were not highly receptive to sales management help (e.g., Butler et al. 1914.) Hoyt (1913, p. 5) suggested that sales managers deal with this problem by allocating more of their time to working with the "new" type of salesperson . . . the one who accepts help from the house . . . and less time with the "old" type of salesperson . . . the one who works alone
and act hostile to sales management assistance.
Hoyt's pioneering text assigned to the sales manager the following tasks, all with the goal of increasing efficiency: (1) standardize the salesperson's presentations; (2) select candidates by obtaining their records through application blanks; (3) talk common sense to the sales force as opposed to offering them inspirational sermons; and (4) eliminate the idea that advertising is a substitute for salespeople (Hoyt 1913.)
Hoyt directly adapted Taylor's scientific management theories to sales management. He dismissed "inspirational" leadership, a talent or skill mentioned in the literature but rarely defined or dealt with substantively. Professor Hoyt strongly advocated the rating of salespeople through the use of contests, despite the clear-cut danger of lost customers if salespeople resorted to hard sell techniques to spur sales in the short run. This goal of quickly increasing sales despite current market conditions is encountered frequently throughout the early history of sales management thought. Its merit went

unquestioned until Tosdal's criticism (1925.)
The emphasis of sales managers at this time was on the development and use of specific, tangible control mechanisms to coordinate sales force activities with the goals of the firm. Many of the techniques seem simplistic now (e.g., the use of application blanks to improve selection), but each was a significant advancement of the state of the art at the time. They were, after all, building blocks for the foundation of what we now think of as modern sales management. Certainly, today's managers would not suggest doing away with r e s u m e s, job application forms (although it is likely done on the computer and not handwritten) or other evaluative documents.

## ACADEMIC COURSES IN SELLING AND SALES MANAGEMENT

Most courses specifically devoted to sales did not appear until after the early texts in sales or sales management published. Several of the top business schools had introduced sales management courses by 1925. For example, Northwestern offered a course titled "Advertising and Salesmanship" in 1909 (Maynard 1941). Sales management subjects within other courses, however, began appearing even earlier. For example, there was a marketing course at Dartmouth in 1901 which included sales management subjects. Descriptions of courses offered at that college in 1905, and in 1911, contained the phrase "selling and the organization and management of the sales force" (Maynard 1951.) Another Dartmouth class, entitled "Sales and Advertising Management," was offered in 1920. It connected advertising with selling, a common approach at the time.
As early as 1902, The Sheldon School had begun offering correspondence sales courses (Tadajewski 2011). By 1916, salesmanship had even entered the

curriculum of high schools (Stone 1918) and other training programs for young people (La Due 1918). In addition, among many other providers, Young Mens Christian Association locations across the Unites States were offering salesmanship courses schools by 1918 (Jones 1918). The widespread teaching of sales later led to similar educational opportunities for sales managers.

John Jones, one of the first instructors of salesmanship, offered a sales management course at New York University in 1915. It included the following topics: selecting and training salespeople; planning sales equipment; methods of compensation; territory problems; sales contests; conventions and quotas. Jones was assisted in developing this course by the Alexander Hamilton Institute, where much of the earlier sales management materials were developed. Ralph Starr Butler, at the University of Wisconsin's School of Commerce, taught "Sales Administration" in 1915. It dealt with the "organization of sales departments and techniques of selling" (Maynard 1951).

Harry R. Tosdal introduced a course in sales management at the Harvard Graduate School of Business in 1920 which included such topics as structure of the sales organization, sales research and investigation, formulation of sales policies, and preparation and execution of selling plans. Fred Clark offered "Selling Policies" at Northwestern University in 1920. The following schools subsequently offered personal selling courses: Illinois (1926); Ohio State (1924); University of Pennsylvania (1925); University of Southern California (1926); Boston University (1921); and Michigan (1921) (Maynard 1951).

## OTHER CRUCIAL ACADEMIC BUILDING BLOCKS

Given the independence with which salespeople had operated prior to the general implementation of sales management it is logical that the developing role of sales management (1900-1920) would be a narrow one. Their primary concerns were with t h e selection, supervision, and control of salespeople. During the 1920s, a few writers offered a broadened definition of sales management which included marketing tasks. For example, in the text Modern Sales Management, published as the 1920s were about to begin, J. George Frederick (1919) heralded a new era for the field of sales management. Frederick portrayed sales as a field in which there was considerable focus on employee development, respectability, and a new-found professionalism. Frederick saw the sales manager as a significant force within the total marketing function, which, in turn, enhanced the view of sales across the entire enterprise. He portrayed the sales manager as a top-level executive, contributing to corporate policy, and responsible for its implementation through the sales force.

Frederick believed the sales manager should be concerned with product quality and new product development as determined by the needs of the market. It was the sales manager's job, he wrote, to synchronize the standardization needs of production with the market's demand for a varied product line. Sales management had begun to evolve from its narrow supervisory role of the pre-1920s era to a broader one embracing what we now know as the marketing concept even though that phrase had not yet become part of the literature.

It should be recalled that Dawson (1970), and many others, christened the period from 1920 to 1942 as the "Sales Era," a period of time in which firms were most concerned with developing mass distribution systems to match their productive capabilities. This is in contrast to the earlier production era and the later marketing era. Sales roles within the organization increased in stature and importance during this time. Hall (1924), in the Handbook of Sales Management, developed the following new concepts: the emphasis on planning versus cooperation; the need for further analysis of the costs of selling; and the importance of statistical information for profitability analysis. He also included a comprehensive chapter on recruiting.

## Salesperson Selection

Discussion of salesperson selection during the 1920s and 1930s reveals a rejection of the earlier view of the salesperson as an entity apart from the firm. Poor performance was seen as detrimental to both the salesperson and firm. It had become clear that customers were assets and that selling skills were recognized as valuable. Tosdal (1925), for one, criticized the overemphasis of employers on technical and industry knowledge, believing instead that intelligence and the ability to relate products to the needs of buyers were far more important. He advocated for the creation of accurate job descriptions based on the nature of the specific selling job.

By 1925 criticisms were raised concerning the value of structured interviews and evaluation via rating scales. There was also doubt about the value of psychological testing for the recruitment of salespeople (Tosdal 1925). Of course, these tools had been widely hailed ten years earlier.

## Sales Compensation

Tosdal's (1925) discussion of compensation programs, though written nearly a century ago, is as thorough as any since that time. No truly new programs have been developed since his presentation. Tosdal's conclusions and recommendations regarding compensation plans are still appropriate and useful to today's sales executives.

The sales manager must, Tosdal (1925) wrote, create a compensation plan that is motivating and fitted to the needs of the business. Four factors were considered in developing a compensation plan: (1) the income necessary to maintain a reasonable standard of living; (2) the market for salespeople; (3) the philosophy of the firm regarding payment at, above, or below market; and (4) the nature of the product. He mentioned that employee turnover is an excellent indicator of the efficacy of a plan.

Tosdal criticized straight salary plans for their failure to motivate. He conceded, however, that commission plans increase effort but also heighten rivalry and turnover. Professor Tosdal proposed that commission plans emphasize short term sales, reduce new account development efforts, and foster salesperson independence. Tosdal discussed the entire gamut of payment plans. In contrast to the "one best way" tone of most writers during that era, Tosdal never advocated one type of compensation over another. Instead he suggested a contingency approach.

### Leadership and Sales Management

Literature published during the 1920s seldom dealt substantively with the importance and nature of the sales manager's leadership role. Tosdal (1925), however, presented a sophisticated explanation of effective leadership which clearly reflects the antecedents of contingency theory. He stated that the "sales manager who is able to lead his men successfully and to obtain their cooperation, acts according to his knowledge of the way in which a particular man will react to reason, suggestion, praise, or censure" (1925, p. 601.) Tosdal advocated a communicative role for the sales manager, as opposed to employing an autocratic approach. This is strikingly similar to the recommendations of the research many years later (e.g., Ford, Walker, and Churchill 1976). Tosdal (1925) claimed, consistent with Theory X, that salespeople needed a sales manager who would provide effective motivation as salespeople, on their own, would not drive themselves to do their best performance.

### CONCLUSIONS

People have sold and bought goods from others since exchange first occurred. Yet, the development of a field of employment and later an academic discipline of sales is a relatively recent development. Since the early years of the sales discipline's development, it has evolved from an era when oversimplified concepts (such as the belief that the straight commission plan insured good sales performance) were widely accepted (pre-1900), to more enlightened times. Certainly, scholars one hundred years from now will consider what we write today as simple in comparison to the state of the art during their period.

Characterizations of these early days as the "Sales Era" are at least partially accurate, but there is sufficient evidence in the sales management literature of the time to justify a tempering of the usual descriptions of this period. The rapidly growing markets of the twenties, as well as the economics of the Depression fostered an emphasis on sales volume as a measure of performance. However, it is clear that many farsighted authors, even then, were describing the marketing concept and its relation to sales management in terms that later authors appropriated for themselves.

Most of the issues one finds in the literature today were discussed within the field of sales during the early days as well. In our research, it was strange to read descriptions of "new" and "old" approaches to selling that were written well over 100 years ago when writers were talking about new ideas from that distant past. Our guess is that 100 years from now, scholars will likewise consider our current views of innovation to be strange. Instead, they will likely see it as simple. Each generation makes progress and the discipline advances. Sophistication continues to grow.

As this research has shown, however, the seeds of many currently "new" ideas were sown many years ago. Much of what we may think of as new was proposed long ago. This conclusion demonstrates the importance of scholars valuing the history of the discipline and conducting strong and thorough literature reviews when conducting research in order to gain insights from those past studies.

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# EFFECTS OF WORK STRESS AND JOB SATISFACTION ON EMPLOYEE RETENTION: A MODEL OF RETENTION STRATEGIES

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*Abstract*

*Human resource management has been evolving for decades, going through various stages within good practices that seek to meet the company's goal while meeting the needs of employees following the company's strategy. Developing value strategies for employees enable companies to attract those with the potential for superior performance and fit into the company culture. In doing so, companies provide a balance of rewards and benefits that employees receive in return for what they contribute to the workplace. The challenges of human resource management are to identify adequate motivational techniques to satisfy employees, as well as to reduce work stress and unwanted staff turnover. This paper identifies the effects of work stress and employee satisfaction on their retention in higher education. If motivational techniques aimed at employee satisfaction do not meet their expectations and needs, they can induce negative work stress and employee turnover. The paper examines whether there are differences in perceptions of stressors between genders. The paper aims to determine whether academic staff are more motivated by financial or non-financial incentives, and to what extent there is a correlation between unclear work evaluation and recognition, as a cause of stress, with employee retention. This paper deals with selected areas of human resource management: motivational techniques, employee satisfaction, work stress, and employee retention. The paper tests the hypothesis that there is a higher level of correlation between non-financial than financial incentives with overall employee satisfaction. Descriptive statistics and statistical tests were used to analyze the primary research data. A model of employee retention strategy is created based on the results of primary research, literature review, and other studies.*

*Keywords: motivational techniques, employee satisfaction, work stress, employee turnover, retention strategies*

## INTRODUCTION

The world of business is changing at a rapid pace. Companies can succeed as much as they can adapt to global changes and to visualize future trends in human resource management. The company may operate locally or regionally, but employees as individuals are mobile, especially those with specific knowledge. Retaining them is an issue that needs attention. A certain number of employees contribute to the stimulating working atmosphere by which companies achieve increased productivity, sales, and profitability, reduced employee turnover, and absenteeism. It is in the interest of each company to retain those engaged employees. Future trends require human resource management that makes employees feel valued, rewarded and free enough to maintain quality of life. Under these conditions, employees are encouraged to participate and contribute to value creation, enhancing loyalty to the company.

The study by McKinsey & Company (2009) identifies non-financial incentives as more powerful motivators than financial incentives. According to Deloitte

(2019) survey, some of the major challenges in human resource management relates to creating an employee experience and changing the concept of a reward system, as the majority of respondents stated that the intangible value of a business is more important to them than financial rewards.

There are different approaches to the meaning of human resources or human capital, which include employees and managers of all levels in companies. Various authors have differently interpreted meaning. The terms resource and capital are often considered inappropriate in the context of defining employees, thus binding them to the material components of the business (Inkson, 2008; Sloan and Gavin, 2010; Fortier and Albert, 2015). Thomas Piketty (2013) argues that there are several reasons to exclude human capital from the definition of capital. The key difference from other forms of capital is the fact that human resources cannot permanently be owned or traded on the market by another person.

Davenport (1999) presents the thesis of an employee as an investor, emphasizing the need to invest in human capital, motivating employees to invest in the company more knowledge than is required to complete the job tasks. According to the same source, companies need to be aware of the reality of human capital. While trying to gain a competitive advantage from employee engagement, companies should not ignore their behavior, energy, and capabilities.

The term human capital can be understood as an acknowledgment of the value that employees create for the company and as a resource worth investing in (Jaganjac et al., 2018, p 185). Many companies recognize that investing in human capital may be the most important investment they will ever have. When it comes to human capital, investing in people and making a return on investment is much more than financial profit. Employees enhance their intellectual potential through different types of available incentives. By investing in employees, companies gain new knowledge; expand relational capital; increase employees' productivity and satisfaction.

The importance of human resources is also recognized globally. In The Global Competitiveness Reports, components of human resources are used within several pillars of competitiveness. The human-centric approach to development is embodied by the Health (pillar 5) and Skills (pillar 6) pillars, which together account for one-sixth of the total GCI score and take a broad approach to human capital (World economic forum, 2018, p 38). Business dynamism (pillar 11, sub-pillar Entrepreneurial culture) measures the willingness to delegate authority. The Labour market pillar (pillar 8, sub-pillar Flexibility ) measures hiring and firing practices, internal labor mobility, cooperation in labor-employer relations, the flexibility of wage determination.

Innovation capability pillar (pillar 12, sub-pillar Research/development) measures scientific publications. Under the sub-pillar Future workforce, pillar Skills measure critical thinking in teaching. The same pillar Skills measures the extent of staff training, quality of vocational training and skill set of graduates, under the sub-pillar Skills of the current workforce. When it comes to the skills of the future workforce, education at all levels, especially at the level of higher education, plays a significant role. As for the impact of higher education on global competitiveness, one should mention scientific publications. Therefore, the issue of satisfaction and productivity of academic staff in higher education is significant for national economies, as well as higher education institutions.

Following their development strategies and the legal framework of higher education, higher education institutions create human resource management policies based on general principles of human resource management. Researches encompassed different educational systems and countries (Shin and Jung, 2014), meaning that one can not make general conclusions about satisfaction, stress, and retention in higher education.

## THEORETICAL BACKGROUND AND HYPOTHESIS

### Employee satisfaction and retention

Employee satisfaction is a good predictor of retention and turnover intentions (Shader et al., 2001; Simon and Cristian, 2007; Westlund and Hannon, 2008; Zhao and Zhou, 2008; Jones et al., 2015; Huang and Su 2016; Aydogmus et al., 2017). Satisfaction is the extent to which employees are happy or satisfied with their jobs and work environment. It is a central point for successful human resource management (Guest, 2002; Mudor and Tooksoon, 2011; Hauf et al. 2015). Satisfaction is not necessarily linked to the level of employee engagement.

Employee engagement is the extent to which employees feel committed to their jobs and invest their knowledge in the work that produces value. Engaged employees are the drivers of the company, and their results show it. In addition to contributing to the company's goals, they are increasingly seeking an environment that enhances their potential. Satisfied employees can also be those who are just happy with their job, sometimes with the status quo. For some, it may involve as little work as possible. Therefore, companies are most interested in retaining engaged or key employees (Johnson, 2000; Shakeel and But, 2015), who have the highest level of engagement and results.

Employee satisfaction and retention is a process closely linked to motivational techniques. Factors affecting employee satisfaction may include compensation issues (Wang and Seifert, 2017), workload and work-

life balance (Deery, 2008), leadership style (De Beer et al., 2016), participation in decision making (Zhang, 2016), flexibility (Origo and Pagani, 2008), physical and social working conditions (Skalli et al., 2008), the need for advancement and recognition (Denton and Maatgi, 2016). Results of employee satisfaction help the company identify factors influencing retention, as well as those influencing turnover intentions.

Human resource management is the subject of constant rethinking of how employees can and should be motivated to perform the ever-increasing and demanding tasks. Employee motivation to share and refine knowledge, and to achieve results depends on how the company encourages value creation. The best combination of motivational techniques ensures the long-term prosperity of companies and employees. Satisfaction surveys help managers to improve strategies aimed at better motivating employees (Pan, 2015). Satisfaction outcomes are closely related to the turnover rate, which is not always a sign that the company does not apply attractive motivational techniques. There is healthy employee turnover in the case of underperforming workers. Unwanted turnover happens when high performing employees leave the company.

Many authors deal with employee satisfaction and retention in higher education. Various studies indicate different factors, financial and non-financial, influencing the satisfaction and retention of academics in higher education; differences in perceptions of stress (Sliskovic and Sersic, 2011; Deguchi et al. 2018). Academic career advancement, satisfaction, loyalty, and retention are crucial for the development of higher education institutions (Saner and Eyupoglu, 2012).

Some studies point to the level of pay as a major factor influencing the satisfaction of academic staff (van den Berg, 2002; Scott and Dinham, 2003; Roser, 2004). According to a study by Oshagbemi (2000), female academics are more satisfied with financial motivational techniques than men. The importance of pay level among academic staff may also be related to the fact that employees in this industry are generally less paid than in others (Fredman and Doughney, 2012; Hamermesh, 2018). According to some studies, regardless of pay level, they are happy with the job (Houston et al.2006) and rarely quit a job because of the salary (Ambrose et al. 2005). The motivation, productivity, and retention of academic staff do not necessarily come from financial incentives. High performance amongst academics refers primarily to non-financial incentives, such as acknowledgment from the academic community rather than financial incentives (Kivisto et al., 2017).

*Work stress*

Work stress occurs due to personal and organizational factors (Gibson et al., 2012). Distress is a negative stress. It causes negative outcomes for employees and the company (Hayward et al., 2016). Eustress is a positive stress, which in the short term is motivating and can temporarily improve employee performance. Eustress occurs in the case of promotion, salary increases, implementation of important business projects, innovation processes. Depending on the type, work stress causes positive or negative outcomes (McGowan et al., 2006).

It is worth mentioning the locus of control as a personal trait. The locus of control is a personality variable associated with the general beliefs of employees about control of events. The concept of locus control was developed by Rotter (1966), distinguishing individuals with internal and those with an external locus of control (Galloway et al., 2018). Individuals with internal locus of control believe that the outcome of an event is a result of their actions or behavior. Individuals with an external locus of control believe that the outcomes of events are far beyond their control. Individuals with internal locus of control perceive their environment positively and prefer challenging activities (Wang et al., 2010), take reasonable risks, have high motivation for achievement and ability to innovate (Carland and Bouton, 1984; Raucha and Frese, 2007). This trait allows for self-motivation in the long run and a lower level of stress exposure, regardless of external influences coming from the domain of organizational factors.

Stress can result from an imbalance of effort and received financial and non-financial incentives, which can significantly affect employee satisfaction, engagement, and retention. It also occurs due to the employee's inability to meet work expectations. It often stems from dissatisfaction with leadership style (Gill et al., 2010), organizational support (Van Knippenberg et al., 2007; Wolff et al., 2016).

The stress of academic staff in higher education can be a result of too much administrative work, which distracts them from the primary purpose of their job (Teelken, 2011). Other frequent causes of stress are the inability to participate in decision-making (Guthrie et al., 2017), interpersonal relationships, lack of control and job insecurity (Tytherleigh et al., 2005), work-life balance issues (Zábrodská et al., 2018), salaries, awards, and role conflict (Sliskovic et al., 2012, p 97). Role conflict occurs due to work-life imbalances and conflicting job requirements (teaching, scientific, and administrative roles). Sliskovic et al. (2011) found that women are more stressed when it comes to workload, recognition and status, interpersonal relationships. Some studies

found that females are more sensitive to work-life balance (Cantano et al., 2010), while Winefield (2008) found males more disposed to distress because of work-life disbalance.

The increasing use of information and communication technologies in education has led to the emergence of techno-stress (Piganata et al, 2016; Tagurum et al, 2017; Wang and Li, 2019). In addition to all the benefits, ICT leads to additional workload in teaching processes. Its intensive application in education where online studies predominate can lead to social distancing, uncertainty among a certain age group of academic staff. Stress in higher education affects organizational commitment and turnover intentions (Ryan et al., 2012; Esop and Timms, 2019).

## RESEARCH METHODOLOGY

The data were processed in the SPSS statistical program. Descriptive statistics calculated the arithmetic mean, standard deviation as the deviation around the arithmetic mean of the response, and the minimum and maximum response values of the responses. The Pearson correlation checked the correlation between the two variables. Chi-square independence test tests whether the samples are interdependent or independent, different or similar, where the two groups examined are analyzed. The obtained results are presented in tables and descriptively.

The survey was conducted in January 2020 through an online survey. An online questionnaire ensures the complete anonymity of the respondents and thus increases the objectivity of the results obtained. There were 100 responses to the questionnaire, among 116 invited to participate. An invitation to complete the online questionnaire was sent to professors, assistant professors, assistants, and lecturers of University ,,Vitez,, and of some partner institutions from Croatia, Serbia, and Slovenia. There were 61 male and 39 female participants in the survey. 29% of respondents are between 35 and 44 years old, followed by 27% of respondents between 25 and 34 years old; 21% between 45 and 55 years old, 18% are over 55 years, while only 5% are up to 25 years old. The majority of respondents have between 5 and 10 years of work experience in higher education (34%). 29% of respondents have less than 5 years of work experience; 23% of respondents have more than 15 years of work experience, and 14% have between 10 and 15 years of work experience. Most of the respondents are Assistant Professor, 39% of them; 32% are Assistant or Senior Assistant, 28% are professors and only 1% proofreaders.

## FINDINGS AND DISCUSSION

The results of primary research are used to test the hypothesis:
H0: there is a higher level of correlation between non-financial than financial incentives with overall employee satisfaction
H1: there are differences in perceptions of stressors between genders
H2: there is a positive correlation between employee satisfaction with incentive remuneration and retention
H3: there is a negative correlation between unclear work evaluation, recognition and employee retention

The literature review lists various studies indicating different factors, financial or non-financial, influencing satisfaction in higher education. The primary research seeks to determine whether academic staff are more motivated by financial or non-financial incentives and to test H0.
H0 testing is based on the survey results on motivational techniques and employee satisfaction. The questionnaire consists of ten statements.

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| | N | Min | Max | Mean | Std. Deviation |
| I am more motivated by my job than the pay level | 100 | 1.00 | 5.00 | 3.8800 | .93506 |
| I'm satisfied with the pay | 100 | 1.00 | 5.00 | 2.6600 | 1.04659 |
| There is a practice of incentive remuneration for contributions in the work | 100 | 1.00 | 5.00 | 2.0700 | 1.18283 |
| Acknowledgment and career advancement motivate me for more engagement | 99 | 1.00 | 5.00 | 4.1818 | 1.00370 |
| The pay level motivates me to be more engaged | 99 | 1.00 | 5.00 | 3.9596 | 1.04900 |
| There are opportunities for me to get involved in decision making, problem-solving and goal setting | 99 | 1.00 | 5.00 | 3.4444 | 1.17995 |
| I'm often involved in interesting and challenging tasks | 99 | 1.00 | 5.00 | 3.3838 | 1.20971 |
| My overall job satisfaction is most affected by financial incentives | 99 | 1.00 | 5.00 | 3.1616 | 1.11307 |
| My overall job satisfaction is mostly influenced by non-financial incentives (job diversity, decision making, flexible working hours, career advancement, training, teamwork, challenging tasks) | 99 | 1.00 | 5.00 | 3.8889 | .98860 |
| I am satisfied with the overall financial and non-financial incentives | 99 | 1.00 | 5.00 | 2.6566 | 1.08008 |
| Valid N (listwise) | 99 | | | | |

Table 1. Motivational techniques and employee satisfaction

Respondents agree that acknowledgment and career advancement motivate them for more engagement. The arithmetic mean is 4.18, with a low standard deviation. They also agree that the pay level motivates them for more engagement. The arithmetic mean is 3.95, with a somewhat higher standard deviation than with the previous statement. As an important work-related factor that influences the overall satisfaction, respondents rated non-financial incentives (job diversity, decision making, flexible working hours, career advancement, training, teamwork, challenging tasks), with arithmetic mean of 3.88 and low standard deviation of 0.988.

The statement that academic staff mostly agree with is that they are more motivated by the job than the pay level, with arithmetic mean of 3.88 and a low standard deviation of 0.988. There are differences in the responses between respondents when it comes to the statement that their overall job satisfaction is mostly affected by financial rewards, with an arithmetic mean of 3.16. Respondents generally disagree with the statement that they are satisfied with the pay, with the mean of 2.66 and acceptable deviation. Academic staff generally find that there is no practice of incentive remuneration for contributions in the work, as the arithmetic mean is slightly above 2. Respondents to a small degree agree with the statements that there are opportunities to get involved in decision making, problem-solving and goal setting and that they are often involved in interesting and challenging tasks. The standard deviation for the latter indicates a difference in the responses between respondents. Employees are generally not satisfied with the overall financial and non-financial incentives, with a mean of 2.66 and an acceptable standard deviation of 1.08.

The results indicate a difference between the factors motivating academic staff, the incentives they receive and their overall satisfaction. Although generally not satisfied with overall financial and non-financial incentives, they agree the most that acknowledgment and career advancement motivate them for more engagement and that they are more motivated by the job than by the pay. For some statements, there are differences in the answers of the respondents, but generally speaking, academic staff in region thinks they do not receive adequate incentives for what motivates them the most. In the long run, this can lead to a decrease in motivation and the occurrence of turnover intentions.

| Correlations | | | | |
|---|---|---|---|---|
| | | My overall job satisfaction is mostly influenced by non-financial incentives | My overall job satisfaction is most affected by financial incentives | I am satisfied with the overall financial and non-financial incentives |
| My overall job satisfaction is mostly influenced by non-financial incentives | Pearson Correlation | 1 | -.095 | .317** |
| | Sig. (2-tailed) | | .351 | .001 |
| | N | 99 | 99 | 99 |
| My overall job satisfaction is most affected by financial incentives | Pearson Correlation | -.095 | 1 | -.115 |
| | Sig. (2-tailed) | .351 | | .259 |
| | N | 99 | 99 | 99 |
| I am satisfied with the overall financial and non-financial incentives | Pearson Correlation | .317** | -.115 | 1 |
| | Sig. (2-tailed) | .001 | .259 | |
| | N | 99 | 99 | 99 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | |

Table 2. Correlation between non-financial and financial incentives with overall employee satisfaction

There is a weak correlation between overall job satisfaction and non-financial incentives influencing it, and it is statistically significant. There is neither correlation nor is it statistically significant between overall job satisfaction and financial incentives. The results obtained confirm H0.

Previous studies, mentioned in the theoretical part of the article, identified many factors causing distress, as well as some similarities and differences in perception of stress between males and females. The H1 test used the results of a survey from the stress causes questionnaire, consisting of statements. Academic staff identified relationships with other employees and supervisors (3.83), over-administration and workload (3.79), and unclear evaluation and recognition of work (3.78) as the biggest causes of the stress. These three statements were used to test H1.

Above mentioned stress causes are followed by job insecurity (3.43), the inability of professional improvement and advancement (3.37), the lack of challenging tasks (3.30), the inability to participate in decision-making (3.24), and pay level (3.22). Respondents mostly disagree with the statement that they do not know what is expected of them at work (2.80) and that they cannot balance work and private life

| Gender * Relationships with other employees and supervisors  Crosstabulation | | | | | | |
|---|---|---|---|---|---|---|
| Count | | | | | | |
| | Relationships with other employees and supervisors | | | | | Total |
| | 1.00 | 2.00 | 3.00 | 4.00 | 5.00 | |
| Gender — Male | 4 | 4 | 10 | 21 | 21 | 60 |
| Gender — Female | 2 | 2 | 9 | 15 | 11 | 39 |
| Total | 6 | 6 | 19 | 36 | 32 | 99 |
| Chi-square independence test | The attitudes of respondents from different groups are interdependent and similar, because W = 1.106, p = 0.793> 0.05 | | | | | |

| Gender* Over-administration and workload  Crosstabulation | | | | | | |
|---|---|---|---|---|---|---|
| Count | | | | | | |
| | Over-administration and workload | | | | | Total |
| | 1.00 | 2.00 | 3.00 | 4.00 | 5.00 | |
| Gender — Male | 3 | 7 | 14 | 13 | 23 | 60 |
| Gender — Female | 1 | 6 | 8 | 8 | 16 | 39 |
| Total | 4 | 13 | 22 | 21 | 39 | 99 |
| Chi-square independence test | The attitudes of respondents from different groups are interdependent and similar, because  W = 0,739, p = 0,946 > 0,05 | | | | | |

| Gender* Unclear evaluation and recognition of work Crosstabulation | | | | | | |
|---|---|---|---|---|---|---|
| Count | | | | | | |
| | Unclear evaluation and recognition of work | | | | | Total |
| | 1.00 | 2.00 | 3.00 | 4.00 | 5.00 | |
| Gender — Male | 5 | 5 | 13 | 13 | 24 | 60 |
| Gender — Female | 0 | 9 | 6 | 8 | 16 | 39 |
| Total | 5 | 14 | 19 | 21 | 40 | 99 |
| Chi-square independence test | The attitudes of respondents from different groups are interdependent and similar, because  W = 7,390, p = 0,117 > 0,05 | | | | | |

Table 3. Gender perception of stressors

There is no significant statistical difference between gender regarding the statements that the relations with other employees and superiors; over-administration, workload, and unclear evaluation and recognition of work cause stress. According to the results, H1 is not confirmed.

There were four statements about turnover intention or intention to retain in a higher education institution. Respondents most valued the statement that they often think about changing jobs, with an arithmetic mean of 3.31, and a considerable level of deviation around the average response value. The statement that academic staff mostly agree with is that they would recommend their higher education institution to potential employees, with an arithmetic mean of 3,20. The standard deviation is lower than with the previous statement but still significant. The arithmetic mean for the statement that they have no intention of changing jobs in the near future is 3.13, with a high standard deviation. The least graded statement is that it is certain they will look for another job in the current year, with an arithmetic mean of 3.08 and a high standard deviation. The high standard deviation of all four statements indicates differences in respondents' attitudes.

H2 tests correlation between employee satisfaction with incentive remuneration and retention, while H3 tests correlation between unclear work evaluation, recognition and employee retention. Unclear evaluation and recognition of work are among the three biggest causes of stress identified in the primary research. Respondents mostly did not agree with a statement that there is a practice of incentive remuneration for contributions in a job.

| Correlations | | | |
|---|---|---|---|
| | | There is a practice of incentive remuneration for contributions in the work | I have no intention of changing job in the coming period |
| There is a practice of incentive remuneration for contributions in the work | Pearson Correlation | 1 | .234* |
| | Sig. (2-tailed) | | .020 |
| | N | 100 | 99 |
| I have no intention of changing job in the coming period | Pearson Correlation | .234* | 1 |
| | Sig. (2-tailed) | .020 | |
| | N | 99 | 99 |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | |

Table 4. Correlation between employee satisfaction with incentive remuneration and retention

Pearson's correlation coefficient shows that there is a low degree of correlation between the statement that there is the practice of incentive remuneration for work contributions and the statement that the respondents have no intention of changing jobs in the near future. The correlation coefficient is 0.223, and the two variables are in a linear relationship since $p = 0.02 < 0.05$. This result can be interpreted that employee satisfaction with incentive rewards has a positive relationship with their retention, thus confirming H2.

| Correlations | | | |
|---|---|---|---|
| | | I have no intention of changing job soon | Unclear evaluation and recognition of work |
| I have no intention of changing job soon | Pearson Correlation | 1 | -.282** |
| | Sig. (2-tailed) | | .005 |
| | N | 99 | 99 |
| Unclear evaluation and recognition of work | Pearson Correlation | -.282** | 1 |
| | Sig. (2-tailed) | .005 | |
| | N | 99 | 99 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

Table 5. Correlation between unclear work evaluation, recognition and employee retention

There is a negative correlation between the two variables tested, and they are in a linear relationship since $p = 0.005 < 0.05$. The correlation coefficient is small and negative and is -0.282. This result can be interpreted that unclear evaluation and recognition of work have a negative correlation with employee retention, thus confirming H3.

The overall results show that academic staff is more motivated by the job than the pay level, and that overall job satisfaction is mostly influenced by non-financial incentives. On the other hand, they are mostly not satisfied with the motivational techniques associated with the factors that most affect their satisfaction. Although there are significant differences in answers, respondents generally agree that they often think about changing jobs. That is the first sign that there is dissatisfaction that can be eliminated by creating HRM strategies aimed at retaining employees. Employee retention strategies should aim at satisfying the main work-related drivers of employee satisfaction. Most of the academic staff are loyal to the institution where they work and would recommend their employer to potential employees. There are still no real intentions to leave the institution soon. The development of new HRM strategies would increase their satisfaction leading to higher engagement and loyalty.

## A MODEL OF RETENTION STRATEGIES

The retention model takes into account employee motivation, satisfaction with motivational techniques, and stressors influencing turnover intentions. Since research has shown that there are no differences in perceptions of stressors between male and female, the strategy does not have to take gender into account, because they perceive stressors equally. Although there are differences in responses, the results show many employees agree that pay levels motivate them to be more engaged and that their overall job satisfaction is most affected by financial incentives. Differences in responses may be a result of the fact that respondents work in different higher education institutions. Pay should be taken into account when creating employee retention strategies because respondents agree that they are not satisfied with the pay. Non-financial motivational factors and techniques should be given the utmost attention. The results indicate that improvements need to go in two main directions.

### Motivational techniques

Motivation is a set of an individual's inner strengths that intensifies his or her effort to accomplish tasks or achieve goals. The success of motivational techniques is measured by the level of employee satisfaction. Employee satisfaction is determined by the effect of the stimulation measures taken to improve their motivation through financial and non-financial incentives. According to the respondents' opinions, the remuneration policy is a weak point in the human resources management process, and institutions should give careful consideration to this issue when creating employee retention strategies.

The starting point for improvement is the fact that academic staff is more motivated by the job than with the pay level. In this respect, job characteristics and organizational practice in the domain of remuneration policy are of great importance to them. Employees are not happy with pay, but it is not the most important factor in their satisfaction. Implementation of other types of rewards, such as introducing incentive remuneration for job contributions, can compensate for the amount of pay.

Non-financial motivational techniques related to job characteristics that would increase employee satisfaction are to give employees the opportunity and autonomy to be involved in interesting and challenging tasks, decision making, problem-solving, and goal setting. That opportunity complies with employees' most rated motivation which is the acknowledgment and career advancement. To ensure long-term loyalty, institutions should enable employees to sense excitement and purpose in the workplace as well as confidence in management actions. The development of common goals, interactive communication, and employee involvement in decision-making makes it possible to build trust and affiliation with the institution.

### Employee performance evaluation

Employee performance evaluation assesses the contribution of employees to the achievement of organizational goals over time. It is the basis for remuneration in line with employee expectations and results achieved. It influences the motivation by appropriate recognition for the results of the work. In addition to the main tasks of academic staff, performance evaluation can include all the activities that motivate them for greater engagement perceived by higher education institutions as contributing to value creation.

By improving the performance evaluation process, a higher education institution can generate valuable feedback related to identified major stressors, such as unclear evaluation and recognition of work. This cause of stress is directly related to acknowledgment and career advancement. Work overload, in the long run, reduces the quality of work and leads to a decline in employee productivity. Performance evaluation can identify the cause of the overload and point the possibility to reassign some administrative jobs to other employees.

A part of the assessment of employee performance also relates to communication skills, which can give an insight into the gaps in formal and informal communication channels. Since this is the main cause of stress for most respondents, it may be due to poor work organization, job distribution, or leadership style. Performance evaluation is important not only to measure employees' productivity, knowledge, skills but also for the ability of professional improvement and advancement. Performance evaluation is linked to motivation and career development and should be subject to continual reviewing of effectiveness.

## CONCLUSION

A successful employee retention strategy involves the establishment of motivational techniques and employee performance evaluations that enable higher education institutions' goals and employees' goals to be permeated. The conducted research indicates the shortcomings of the management system for motivational techniques and employee performance assessments, which led to distress and early indications of turnover intentions. The respondents are in the gap between the scale of needs, which starts from the dissatisfaction with the salary, as an instrument of meeting the basic motivational needs for security, to the need for recognition and self-actualization as higher-level needs.

Academic management should review existing HRM strategies, conduct employee satisfaction surveys, and establish an employee performance assessment system in line with motivational techniques. Developing a program of understanding the reasons for dissatisfaction and the causes of turnover intention is the first step towards improving HRM strategies. According to the results of the research, higher education institutions whose employees participated in the survey do not have developed strategies for retaining employees. Employee satisfaction and stress exposure are key to employee retention or turnover.

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# SUSTAINABILTY IN RETAIL SUPPLY CHAINS

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*Abstract*

*Large retailers have been taking an increasing interest in sustainable development for the past 20 years. Although retailers play a central role in supply chains, research into sustainability within retailers' supply chains has been limited. With this in mind, this paper provides an exploratory review of how the five leading retailers in both the US and the UK are addressing supply chain issues in their latest sustainability reports. The paper revealed that all ten retailers addressed sustainability in the supply chain as part of their reporting on a range of issues including sustainable sourcing, human rights, carbon emissions, and waste management, but that there was no dedicated or discrete focus on sustainability in the supply chain within the reporting process. At the same time, many of the retailers' approaches to sustainability in the supply chain were aspirational and this raised issue of cost and external assurance. Looking forwards, particularly in the wake of the COVID-19 pandemic, it remains to be seen how much enthusiasm, political will and investor support, large retailers will have to continue to sustainability agendas in their supply chains. However, if large retailers do look to introduce more rigorous environmental, social and economic measures into their supply chains, this will provide a major challenge for, and potentially a radical change to, their conventional business models.*

*Keywords: Retailers, Sustainability, Supply Chain, Business Model, US, UK*

## INTRODUCTION

For over 20 years large retailers have taken an increasing and visible interest in sustainable development. The British Retail Consortium, for example, published it's a retail sustainability strategy in 2001 and four years later Jones et al. (2005) reported that the majority of the UK's leading retailers recognised some of the impacts their businesses have on the environment, society and the economy, and were developing, and reporting on, their sustainability programmes and strategies. Walmart (2008), the world's largest retailer, published its first sustainability report in 2008, and claimed 'we're making sustainability our business.' Reviews of the leading global, (e.g. Jones et al. 2011) and European, retailers' (e.g. Jones et al. 2012) sustainability reports revealed a focus on a wide range of environmental, social, and to a lesser extent, economic issues. However, while retailers, as the intermediaries between consumers and producers, play a central role in supply chains, Weise et al. (2012) suggested that existing reviews of sustainability issues in retailing had a narrow focus and more particularly that there was 'a research gap regarding the role of retailers in implementing sustainability along supply chains.' In a similar vein,

Sebastiani et al. (2015) claimed that 'supply chain sustainability, although being an extremely up to date issue does not seem to have been fully examined yet, particularly from the retailers' point of view.' More recently, McWilliams and Hawkins (2019) suggested that 'driven by a shift in consumer attitudes and expectations, as well as ever-tightening government legislation, the need for businesses to re-evaluate the economic, environmental and social impact their supply chain has, and the risks and opportunities that these bring, is more important than ever.' This reflects the US Retail Industry Leaders Association (undated) assertion that 'in retail, a small fraction of natural resource use—and subsequent impacts on humans and the environment—occurs in direct operations. The remainder is in retail supply chains and with customers.' With these thoughts in mind, this paper, provides an exploratory review of how a number of leading retailers are addressing supply chain issues in their latest sustainability reports.

## SUSTAINABILITY AND RETAIL SUPPLY CHAINS

According to Diesendorf (2000) sustainability is 'the goal or endpoint of a process called sustainable development.' The initial definition of sustainable development namely, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development 1987), is still widely used over three decades after it was framed. That said, there is little consensus in defining sustainability and it is essentially a contested concept which 'means different things to different people' Aras and Crowther (2008). On the one hand, there is a family of definitions based in and around ecological principles and on the other hand there are wider definitions, which look to embrace social and economic, as well as environmental, goals, and which look to embrace equity in meeting human needs.

More critically, Hudson (2005) argued that definitions range from 'pallid blue green to dark deep green.' The former, Hudson (2005) suggested centre on 'technological fixes within current relations of production, essentially trading off economic against environmental objectives, with the market as the prime resource allocation mechanism' while for the latter 'prioritizing the preservation of nature is pre-eminent.' A distinction is also often made between 'weak' and 'strong' sustainability and Roper (2012) suggested that 'weak sustainability prioritizes economic development, while strong sustainability subordinates economies to the natural environment and society, acknowledging ecological limits to growth.'

Sustainability has become an increasingly public issues for retailers, who have seen it as a potentially important source of competitive advantage. However, a number of critics see the growing business interest in sustainability as little more than a thinly veiled and cynical ploy, popularly described as 'Green Wash', designed to attract socially and environmentally conscious consumers while sweeping pressing environmental and social concerns under the carpet. So seen, corporate commitments to sustainability might be characterised by what Hamilton (2009) described as 'shifting consciousness' towards 'what is best described as green consumerism.' This he sees as 'an approach that threatens to entrench the very attitudes and behaviours that are antithetical to sustainability' and argues that 'green consumerism has failed to induce significant inroads into the unsustainable nature of consumption and production.' Perhaps more radically Kahn (2010) argued that 'green consumerism' is 'an opportunity for corporations to turn the very crisis that they generate through their accumulation of capital via the exploitation of nature into myriad streams of emergent profit and investment revenue.'

As interest in sustainability has gathered momentum so a number of attempts have been made to conceptualise sustainability and two approaches merit attention. Firstly, a number of authors (e.g. Garvare and Johansson 2010) have employed stakeholder theory to conceptualise sustainability. In simple terms stakeholder theory is developed around the belief that companies should be sensitive to the interests not just of their shareholders, but also to those of a wider variety of stakeholders, including suppliers, customers and society at large, and that in so doing they will ultimately be more successful. Secondly, Amsler (2009) has looked to develop a more critical theory, which seeks to locate sustainable development within wider economic, social and political structures. Amsler (2009), for example, emphasised the need to 'explore the complex processes through which competing visions of just futures are produced, resisted and realized.'

In simple terms the retail supply chain has been seen as the process by which retailers source primary and manufactured goods and services and make them available to customers in shops and stores or online. However, managing the retail supply chain, so characterised, has become a complex and process. A typical large Walmart store stocks 120,000 different items while large stores operated by Tesco, the UK's largest retailer, stocks some 90,000 store, and retail supply chains have a global geographical spread. A number of factors contribute to the complexity of retail supply chains including differing customer needs, the retail calendar, costs, inventory management, disparate ICT systems and cyber security, quality control and logistics. At the same time natural disasters, such as earthquakes, flooding, hurricanes and pandemics can have disruptive and unpredictable impacts on supply chains, as can political and civil unrest, war and terrorism.

Retail supply chains usually include goods supplied by producers, processors and manufactures which carry generic brand names, as well as own brand products, which carry the retailer's name and which can be supplied by firms that specialise in own brands and by firms that also supply generically branded products. The nature of the relationship between retailers and their suppliers, and the locus of power within these realtionships varies considerably. Own brands enable retailers to work closely with suppliers, they can help retailers to negotiate better terms with suppliers and they can strengthen the retailers' bargaining power with suppliers. That said, few independent suppliers can ignore the access to customers offered by large retailers, and the general balance of power is increasingly seen to lie with the retailers.

Traditionally, customers were seen as the end users in retail supply chains. However, growing concerns about the increasingly unsustainable demands consumption is making on the environment, particularly in the developed world, and on communities, particularly in the less developed world, has effectively expanded the scope of the

retail supply chain to incorporate the reprocessing and recirculating of materials and products. Such an expanded model of the retail supply chain, reflects wider growing interest in the concept of the circular economy. This concept embraces all stages of the product life cycle from product design and production, through marketing and consumption to waste management, recycling and re-use. Retail customers are seen to have a vital role to play in a transition to a more circular economy, not least in that they need to be prepared to embrace what they may see as radical new buying behaviours and more sustainable consumption practices. At the same time retailers have a responsibility to provide customers with information to enable them to make more sustainable choices.

As 'stakeholder pressure from investors, shareholders, customers and nonprofits to push sustainability into the supply chain has significantly increased in recent years' (Wollmuth and Ivanova 2014), so sustainability has been seen as an important element across the supply chain, by both trade commentators and academic researchers. From a trade perspective, in outlining the benefits of a sustainable supply chain, Nutburn (2019) argued that 'to achieve a sustainable supply chain, a company has to address environmental, social, economic and legal concerns across its entire supply chain. A fully sustainable supply chain is one that ensures socially responsible business practices.' More specifically, Nutburn (2019) suggested that a sustainable supply chain reduced environmental impact; improved continuity of supply; offered protection against reputational damage, the potential for new partnerships, and opportunities for business growth. In looking to address protection against reputational damage which can emerge with in supply chains issues about human rights, fair labour practices and representation, anti-corruption measures and environmental protection are often to the fore.

On the academic side, de Brito et al. (2008) argued that within the fashion retail supply chains in Europe, sustainable logistics and transport solutions can 'optimise costs through flow consolidation and clean transport modes, thus lowering the environmental impact of the activity.' In focusing upon food supply chains, Smith (2008) claimed that the 'the business case for investment in more sustainable supply chains is strongest if investment costs can be used to improve profitability by generating products with higher consumer value.' Here, Smith (2008) suggested that 'creating consumer value for more nutritious, healthier products' and creating consumer value from sustainable procurement' both have important roles to play. Styles et al. (2012) argued that 'in the context of globalized supply chains, the reach of government regulation is limited and large retailers and brand manufacturers are uniquely positioned to drive environmental improvement' and more specifically that, 'retailers are beginning to

view environmental management of supply chains as prudent business practice.'

More specifically, the concept of the circular economy has attracted attention from a number of major retailers. In his Chief Executive Officer's message in the preface to fashion retailer H&M's 2016 sustainability report, for example, Karl-Johan Persson argued that the transition to a circular economy is essential if the company is 'to continue to offer sustainable fashion to present and future generations in a world with growing populations and finite resources'(H&M 2016). However, less enthusiastically, in a review of how leading European retailers were addressing the circular economy, Jones and Comfort (2018) suggested the majority of retailers' commitments to the circular economy generally do not fully embrace all stages of the product life cycle from product design and production, through marketing and consumption to recycling and reuse.' Further, Jones and Comfort (2018) recognised that 'at best, many retailers may, in truth, just be embarking on a long and complex journey to gradually transform their businesses to a circular economy model', but argued that 'while the major retailers can certainly influence their suppliers they have less control of the often complex and geographically diverse sourcing of products and of the life cycles of the products they sell.'

## FRAME OF REFERENCE AND METHOD OF ENQUIRY

In an attempt to review of how leading retailers are addressing sustainability in their supply chains, the authors selected the leading five primarily store based retailers, as measured by retail revenue (Deloitte 2020) in the US, namely Walmart, Kroger, Walgreens Boots Alliance, Home Depot and CVS Healthcare Corporation, and in the UK, namely, Tesco, J. Sainsbury, Morrisons, Kingfisher and the John Lewis Partnership, for study. As the leading players in the retail economy of the US and the UK the selected retailers might be seen to reflect contemporary approaches to sustainability within retail supply chains. However, the focus of the paper is on providing a general, rather than a comparative, review of their approaches, though specific examples are extensively used to illustrate how the selected retailers have reported on their approaches to sustainability within their supply chains.

The vast majority of large retailers publish their sustainability commitments and achievements in annual sustainability, or corporate social responsibility, reports on their corporate websites. This led the authors to conduct a digital Internet search for information, using the key phrase 'sustainability report', and the name of each of the selected retailers. This search was undertaken in May 2020, employing Google as the search engine. Each of the ten sustainability reports was then searched

using the terms 'supply chain' and 'supplier', and where there was reference to sustainability, it was noted. This second search process provided the empirical information for this paper. The paper is based on information that is in the public domain and the authors took the considered view that they did not need to contact the selected retailers to obtain formal permission prior to conducting their research.

Walmart is not only the world's largest retailer, by revenue, but also the world's largest company, it has over 11, 500 stores in 27 countries and it trades from hypermarket, supercentre and superstore formats. Kroger's, operations span 35 US states, and its trading formats include grocery and multi-department stores, convenience outlets and jewellery stores. Walgreens Boots Alliance are a pharmacy led health and wellbeing retailer, trading from over 9,000 retail outlets in the US and its international operations include shops in the UK, Ireland, Norway, the Netherlands and Thailand. Home Depot is the largest home improvement retailer in the US, with 2,000 stores, and it also has stores in Canada and Mexico. CVS Healthcare originally began trading in the North Eastern US in the 1960s but it no operates over 9,000 retail pharmacies nationwide.

The three largest retail companies based in the UK, namely, Tesco, J. Sainsbury, and Morrisons, are often referred to as food retailers, though in part this is a misnomer in that while they were all initially established as grocery retailers, they now all sell a wider range of consumer goods. Tesco is the UK's largest retailer, with some 3,400 stores and over 310,000 employees and it trades from hypermarket, superstore, and convenience store formats.   J. Sainsbury trades from over 600 supermarkets, some 800 convenience stores and 800 stores operating under the banner of Argos, throughout the UK. Morrisons, trades from some 500 stores, and while the company's operations were originally concentrated in the Midlands and North of England it is now well represented in the South of England. The John Lewis Partnership operates a chain of over 30 John Lewis department stores and some 600 Waitrose food supermarkets. Kingfisher is a UK based home improvement retailer, with over 1,200 stores in 10 countries across Europe, Russia and Turkey and it trades as B&Q, Brico Depot, Screw Fix, Castorama and Praktiker.

## FINDINGS

All the selected retailers addressed the role of sustainability within the supply chain. That said, information on the ways in which sustainability was addressed in the retailers' supply chains was generally dispersed throughout the sustainability reports and only Walmart and Kroger published sub-sections devoted to sustainability in the supply chain. In the 'Environmental' section of the Walmart (2019), report, there was a subsection entitled 'Sustainable Supply Chain' and in the 'Social Section', a section on 'Responsible Supply Chains.' Kroger's (2019) included an outline of 'Our Supply Chain' in the introductory 'Highlights' to its sustainability report and a subsection on 'Supply Chain Accountability' as part of the treatment of 'Responsible Sourcing.'

A number of the selected retailers reported on their general commitment to sustainability in their supply chains. Tesco (2020), for example, emphasised 'we want to make a big difference and we believe our position in the market gives us a unique ability to pursue transformative change across the supply chain and lead industry-wide action to tackle some of the biggest social and environmental challenges facing us today.' Kingfisher (2019) reported 'we are improving the sustainability of all our ranges – making it the easy choice for our customers – while embedding sustainability into our operations and supply chain too.' In  'Our Supply Chains', Kroger (2019) reported it 'maintains a global supplier base, with thousands of domestic and international suppliers of raw materials, ingredients and items for Our Brands, as well as national brand suppliers of other products we carry on our shelves for customers' and that 'we actively manage environmental, social and governance.'

More specifically, a review of the retailers' approach to sustainability in their supply chains, identified a number of common themes, namely, sustainable sourcing, human rights, carbon emissions, and waste management. Many of the selected retailers reported their commitment to responsible sourcing and to using their supply chain systems to minimise the environmental impact associated with the production of key commodities. For many of the selected retailers, sustainable food sourcing is an important issue.

Morrisons (2019), for example, claimed 'our customers care where their food comes from and want to know that it has been responsibly and sustainably sourced' and 'we work with our suppliers to improve the transparency, social and environmental performance of our supply chain.' In looking to evidence such claims, Morrisons outlined its approach to the responsible sourcing of fish and seafood and its commitment to the Sustainable

Seafood Coalition, as well as to its certification of all palm oil and palm oil derivatives used in its own brand food and drink products.

J. Sainsbury (2018) reported sourcing some 12,000 own brand products from over 70 countries and acknowledged 'we have a vital role to play in supporting our farmers, growers and suppliers across the world.' Here, the company's approach is to work collaboratively to tackle climate change, reduce the environmental impact of its raw materials, advance respect for human rights across its supply chain and improve the livelihoods of its farmers, growers and suppliers. Working with the Sainsbury's Foundation, the company's not for profit arm, the aim is to 'strengthen our supply chains through investments designed to improve the sustainability, resilience, efficiency and competitiveness of suppliers and producers by addressing their social, economic and environmental development' (J. Sainsbury 2018). J. Sainsbury also reported its commitment to source all of its key raw materials sustainably to an independent sustainability standard by 2020, and to help build stronger and more resilient supply chains.

Kroger (2019) acknowledged that flowers and plants grown for sale in its stores and garden centres 'can have negative environmental and social impacts due to the requirements of the growing and harvest processes', that 'customers increasingly want to know where and how flowers and other plants are grown, harvested and transported so they can feel good about their choices' and that 'as a result, we seek to adopt sustainable practices in our floral and plant assortments.' Further, Kroger reported on its partnership with the Rainforest Alliance, through which it has looked to advance sustainable sourcing. Products carrying the Rainforest Alliance certification are grown on farms that meet social and environmental standards designed to protect forests, soil, water wildlife, and the communities and people who live and work in those forests and farms. At the same time, Kroger reported on its recognition that the global honey bee population is vulnerable, to the use of pesticides such as neonicotinoids. Due to this risk to the honey bee population, the company has committed itself to eliminating the sourcing of live plants in its stores and garden centers that have been treated with pesticides containing these neonicotinoids.

Timber products are an important sustainable sourcing issue for some of the selected retailers. Home Depot (2019), for example, emphasised that as 'one of the world's largest home improvement retailers, we have the ability to promote sustainable forestry through the wood products we sell.' The company established a policy on wood purchasing over 20 years ago, in which it pledged to give preference to wood from forests that are manged in

a responsible way, to eliminate wood purchases from regions of the world where forests are endangered and to embrace a range of social and economic issues arising from the designation of endangered forest regions. Morrisons reported the launch of a zero deforestation policy, which committed the company to not taking products from areas which have been deforested after 2018 and working with suppliers to ensure its own brand products are fully compliant with this policy by 2025. Geographically, Morrisons stressed it would be specifically concentrating on high risk areas including the Cerrado and the Amazon in Brazil and the Gran Chaco in Argentina. J. Sainsbury (2018) acknowledged that 'with a rising demand worldwide for meat products, soy has become one of the world's biggest crops and is a major driver of deforestation' and pledged its support 'to halt deforestation and native vegetation loss in Brazil's Cerrado.'

More generally, Walmart (2019) reported on its 'Sustainability Index', developed in collaboration with suppliers, academics and non-governmental organisations, which includes data from suppliers on key environmental and social indicators at the category level. The aim is to improve the sustainability across product supply chains. In 2009, Walmart set itself the goal of buying 70% of its US sourced goods from suppliers that participated in the index. Walmart reported meeting that goal by 2017 and that the percentage of goods from participating suppliers had risen to over 80% by 2018. Walmart (2019) also reported on its '20x25' initiative, centred around the company's aspiration to source at least 20 key commodities more sustainably by 2025. The commodities included fresh produce, animal products, seafood, coffee, tea, and cocoa as well as textiles and personal care products. Here the choice of products was informed by the nature and scale of environmental and social improvement opportunities, by supply security and cost issues and by Walmart's ability to promote change with its suppliers.

In addressing sustainability in their supply chains, the majority of the selected retailers drew attention to their corporate commitment to human rights. Walmart (2019) emphasised that 'Our Human Rights Statement confirms our respect for human rights and articulates how our four values inform our approach to human rights throughout our corporate activities, with a focus on our associates, customers, supply chain and the communities in which we operate.' The John Lewis Partnership (2019) reported sourcing its products from over 70 countries and that it was 'acutely aware of the risks of modern slavery in our supply chains.' At the same time, the John Lewis Partnership acknowledged that modern slavery is hard to identify because of its complexity. In the light of such complexity the

company reported that in addition to its compliance based model of factory checks it was working with its suppliers, through training and collaborative industry initiatives, 'to ensure workers' rights are upheld' (John Lewis Partnership 2019). J. Sainsbury (2018) argued that 'empowering women is key to achieving gender equality and to accelerating sustainable development' and reported on its work in developing 'a more sustainable grape industry in India.'

Walgreen Boots Alliance have developed a policy on ethical sourcing, which it requires all vendors and subcontractors to comply with when supplying it with merchandise and services. More specifically, Walgreens Boots Alliance (2019) reported using 'the policy to screen suppliers against social and environmental criteria' and that it assessed 'suppliers using a detailed grading matrix based on the standards in the policy.' The issues assessed include 'the prohibition of any form of bonded, forced, indentured or other illegal labor and of any form of slavery or human trafficking; opposition to discrimination in any form; fair and reasonable reward for workers; working hours that do not exceed applicable legal requirements: the prohibition of child labor; safe and healthy conditions' and 'the prohibition of corruption and bribery.' The company also reported 'we focus intensely on our owned brands supply chain because it's where we believe we can have the greatest impact on eliminating modern slavery' (Walgreens Boots Alliance 2019). CVS Healthcare (2019) reported that 'respect for human rights is expressed in our company's Supplier Ethics Policy, which all vendors around the world must adhere to as a condition of doing business with the company.' This policy prohibits human trafficking and the use of child, forced or imprisoned labour and forbids any form of discrimination with regard to age, gender or minority status.

A number of the selected retailers addressed carbon emissions within their supply chains. Tesco (2020), for example, recognised 'climate change as the biggest environmental threat the world faces, impacting our business as well as our supply chains.' Here, Tesco (2020) acknowledged that 'transport and distribution is also one of the largest emissions sources for Tesco and is therefore a core part of our climate change strategy' and reported a 'longstanding commitment to reduce carbon emissions.' In a similar vein, the John Lewis Partnership (2019) recognised that its operations, 'from the energy used to run our stores to the fuel used to power our transport fleet, creates greenhouse gas emissions which are warming the earth and changing the climate.' Here the company argued that its transport fleet is critical in achieving its target of a zero carbon transport fleet by 2045. In looking to meet this target the John Lewis Partnership eventually plan to move to a fully electric heavy vehicle fleet but it claimed that as neither

the technology nor the infrastructure is currently available to allow such a move, the company has been investing in biomethane trucks as an interim measure.

Kroger (2019), reported 'our large portfolio of stores, warehouses and food production plants are a significant driver of our energy and carbon impacts' but acknowledged 'with a large, complex supply chain, we also incur carbon impacts via the products we sell and suppliers we partner with to procure and manufacture these products.' Under the banner 'Energy Management in our Supply Chain Operations' Kroger (2019). The company has taken part in the US Environmental Protection Agency's Smart Way programme, which enables it measure, benchmark and report on its annual carbon emissions and it has also invested in energy efficient technologies and renewable energy within its supply chain operations. Kroger also reported working with farmers and suppliers to bring locally sourced products to its stores and to minimise the impact on the environment through reduced transport.

The issue of waste management within retail supply chains has assumed increasing importance and here the focus is on both the customer and the design stages of the supply chain, and there has been particularly interest in plastics and packaging. At the customer stage, there have been increasing concerns about food waste, some of which occurs because retailers are left with foodstuffs that are past their see-by-dates and some of which is purchased by customers, never eaten and discarded. The John Lewis Partnership, for example, looks, wherever possible, to donate surplus food from its Waitrose shops and distribution centres, to organisations who distribute it to those in need within the community. Further, the company reports that any remaining food and organic waste is used to generate energy by anaerobic digestion. More generally, some of the selected retailers have pursued in store awareness programmes in an attempt to reduce the food customers buy and then waste. Morrisons (2020), for example, reported 'having specialists are on hand to help our customers to reduce food waste in the home', to provide 'cooking and storage tips' and also offering 'a large range of loose fruit and vegetables so customers can buy the exact quantities they need.'

Kroger (2019) recognised that 'the environmental impacts of single-use product packaging, particularly of plastic packaging, have become increasingly important to our stakeholders, including investors, environmental groups and our customers.' Further, Kroger (2019) reported following the 'reduce, reuse then recycle hierarchy, we are working to decrease the environmental impacts of our product packaging.' Here, the company's key priorities include reducing unnecessary packaging, increasing the recyclability

of packaging and increasing the amount of recycled content in our packaging, while also building better recycling facilities and providing giving our customers with recycling options. Kroger also reported that many of its plastic packaging items are recyclable in the plastic film recycling containers at its stores' entrances and that collected items are recycled into new items such as composite lumber and decking.

While waste management is often associated with the circular economy, and the concept received some attention in the selected retailers' sustainability reports. Morrisons (2020) for example, argued that 'the linear model of take, make and waste is no longer working for business or the planet. It's important we're moving towards a circular economy; removing, reducing, reusing and recycling where possible.' In a similar vein, the John Lewis Partnership (2019) suggested 'the current economic model of extracting natural resources, producing products and then disposing of them at the end of their lives is not sustainable for the planet' and argued 'we know that if we want to reduce the environmental impact of our business we must move to a more circular business model.' At the same time the company acknowledged 'we're at the start of our journey and so far, we've mostly focused on product reuse which helps extend the life of our products, while providing our customers with a way of disposing of their products.' The circular economy received a single explicit mention in Walmart's (2019) sustainability report, namely 'increasing global demand is placing unsustainable pressure on the climate and natural ecosystems, challenging us all to shift from a "take-make-dispose" system of production and consumption to a circular, regenerative approach.'

More extensively, Kingfisher (2019) claimed 'we're rethinking how we source and use resources, integrating circular economy principles and designing out waste.' The company reported 'we are integrating circular economy principles into our product design, aiming to use resources more sustainably. Our target is to have 20 product ranges or services that help customers and our business get more from less, reuse or use longer by 2025.' Kingfisher (2019) identified its 'principles for circular product design', which included materials that are easily and widely recycled, design for durability, low energy and carbon usage and working conditions in the supply chain. Durability is seen to be important in that it is deemed to be better for customers and it reduces waste. More generally Kingfisher (2019) reported partnering with other organisations, including the Ellen MacArthur Foundation, Forum for the Future, and the Green Alliance Circular Economy Task Force, 'to share ideas and support the systems change needed to create a circular economy.'

## CONCLUDING REFLECTIONS

The findings revealed that while all the selected retailers addressed sustainability within their supply chains, none of them identified the supply chain as a major discrete element in their sustainability strategies and programmes. Rather, all the retailers reported sustainability in the supply chain as part of their reporting of a range of issues including sustainable sourcing, carbon emissions, human rights and waste management. These are all major issues for retailers, but the lack of a dedicated focus on sustainability in the supply chain within the reporting process might suggest that retailers recognise the difficulties they face in monitoring the environmental, social and economic impacts in what are increasingly complex retail supply chains. At the same time, the fragmented way in which the selected retailers report on sustainability within their supply chains, might be seen to mirror Sebastiani et al.'s (2015) claim that academic researchers have been slow to explore the retailers' perspective on sustainability within the supply chain, and Weise et al.'s (2012) suggestion of a research gap in how retailers are implementing sustainability along supply chains, cited earlier.

While the selected retailers reported on a number of achievements in addressing sustainability within the supply chain, many of their approaches were aspirational. Here, the focus was on retailers' claims to be rethinking how they sourced and used resources and integrated circular economy principles into their business strategies; to be working to decrease the environmental impact of packaging; to be moving to a fully electric distribution fleet; to be collaborating with suppliers to ensure that workers' rights are upheld; and to be supporting campaigns to halt deforestation. Such aspirations are very much to be welcomed in that they look to address important environmental and social issues within retail supply chains but they, in turn, present a number of challenges, including the costs of meeting future commitments and the need for independent external assurance, which itself has significant cost implications.

Cost is seen as a major barrier to the development of more comprehensive supply chain strategies. In examining the barriers and drivers for sustainable food retailing, Chkanikova and Mont (2015), for example, argued 'costs are obviously the most often mentioned barrier and therefore retailers generally tend to address sustainability aspects that require lower investment costs' and that 'addressing more profound impacts upstream in supply chains is usually more costly, which makes retailers reluctant to invest in sustainability strategies.' Chkanikova and Mont (2015), also argued that where retailers look to enhance sustainability in

their supply chains with requires the development of collaborative relationships with suppliers, which 'implies considerable costs.' At the same time, it is increasingly important that the retailer's approach to sustainability throughout their supply chains is consistent with their overall corporate sustainability strategies. Here retailers may need to review and reposition their supply chain strategy, which will come at cost, but such costs may be relatively small compared to the costs of losing the trust of customers, and gradually their patronage, and that of their investors.

While all the selected retailers addressed sustainability within their supply chains, and reported on their achievements and aspirations, and some published key performance indicators, only five of them, namely Walgreens Boots Alliance, CVS Health Care Corporation, Morrisons, Kingfisher and the John Lewis Partnership commissioned any independent external assurance by way of verification of their sustainability achievements and claims. Further, this assurance process covered only a small number of the issues concerning sustainability within the supply chain. This is problematic in that it can be seen to reduce the credibility, integrity and reliability of the reporting of sustainability in the supply chain reporting undertaken by the selected retailers. That said the selected retailers are large, complex and dynamic organisations and capturing and storing comprehensive information and data in a variety of geographical locations and then providing access to allow external assurance is a challenging and a potentially costly venture. Thus, while data on a supplier's carbon emissions may be systematically collected, collated and audited as part of the company's environmental commitments, information on the impact on workforces and communities in less developed countries, may be more difficult to comprehensively measure, collate, interpret and assure. Currently, the selected retailers choose not to publicly pursue such a comprehensive exercise.

Looking forwards, particularly in the wake of the COVID-19 pandemic, it remains to be seen how much enthusiasm, political will and investor support, large retailers will have to address sustainability in their supply chains. That said, if large retailers do look to introduce more rigorous environmental, social and economic measures into their supply chains, this will provide a major challenge for, and potentially a radical change to, their conventional business models. Such a change is perhaps epitomised by a transition to a circular economy within the retail sector of the economy. The transition to a circular economy could, for example, see the small local shops, rather than large out of town and edge of town stores, become the dominant retail format, and see the growth of local, rather than international supply chains. Such

a transition could also see a much larger service economy with a greater accent on consumers leasing products as, and when, they are required, rather than on purchasing and owning products, and then discarding them when their useful or fashionable life was seen to be at an end.

The authors recognise that this paper has a number of limitations, not least that it draws its information from a small number of retailers, that these retailers are based in the US and the UK and that it is based on corporate information posted on the Internet. However, the authors believe that as an exploratory review of retailers' approaches to sustainability in the supply chain, which has received limited attention in the literature to date, the paper provides a useful platform for future research. Looking to the future, academic research might, for example, include primary empirical research designed to examine retailers' strategic thinking about sustainability within their supply chains, it might focus on retailers in both other advanced capitalist economies and it might include specific detailed case studies as well as more comparative investigations of retailers within different sectors of the retail economy. Here, negotiating access to key decision makers may prove to be a thorny issue, in part because sustainability in the supply chain can be a sensitive issue for both suppliers and retailers, and in part because of the more general issue of commercial confidentiality. Further, research on sustainability in retail supply chains may also help to illuminate, and contribute to stakeholder and critical theories of sustainability.

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# MANAGEMENT BY ENTREPRENEURSHIP USING DIGITAL MARKETING

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*Abstract*

*In modern business management conditions, entrepreneurship represents the art of creation and innovation, and at the same time represents a modern economic category. The increasing use of modern technologies leads to the replacement of the old and hierarchically closed economic system, the new open system, which represents a flexible connection of larger economic entities with small or innovative ones. The link between marketing and entrepreneurship is seen in the aspiration to satisfy the needs of consumers, either for a new product, service, or ways of doing certain activities. Marketing as a business activity in an entrepreneurial process should be represented all the time during the process, not just in the individual stages of product development or service. The main hypothesis arises: Ho - The role and selection of an adequate marketing concept in the entrepreneurial venture has a huge impact on the business of the company, on the needs and wishes of consumers, ie knowledge of what consumers expect from the final product or service. Anonymous questionnaire was created for the purpose of this research. After completion of the research, the empirical data were redacted and processed by the statistical program SPSS 22.*

*Keywords: Management, Marketing, Market, Entrepreneurship*

*JEL code: M11, M31, O32, L26, E2*

## INTRODUCTION

In today's conditions, when the changes take place more rapidly, the company is asked to respond appropriately. An external environment, in which complex and unstable factors work, creates a strategic way of thinking for the company. Changes create problems, but these problems can become chances if they are aware of their position, their direction of movement, and the consequences of applying the chosen strategy. Incorrectly chosen solutions, if applied at all costs, are wasting company efforts and resources, and can lead to an unenviable position in relation to its competitors. (Vidovic, 2011)

Most organizations, although considered market-oriented, are still focused exclusively on their production. Marketing relies on a "product manager," whose job is to find segments of customers who are unsatisfied, position the product or brand that satisfies the requirements and market them. (Kukrika)

Today the focus of the company changes from product orientation to marketing orientation. (Engel, Roger, & Paul , 2014)

Emphasis should be placed on improving internal processes and outputs to meet the mass market. Although the organization is trying to find what the customer wants, it still treats customers according to a homogeneous and basically passive mass. It used to be products rather than customers, they represent the essence of all marketing programs, while today the situation is completely different, however, the success of a product is measured by the volume of sales or its participation in the market. (Vidovic, Industrial Marketing as a Function of Contempoary Industrial Development, 2011)

Differences do not occur only in the definition of promotion efficiency, but also in the way of measurement and control. For example, the media

define efficacy as an exposure to the target group; Agencies believe that efficiency is the ability to position in the mind of consumers, while in the case of advertisers, effective communication should lead to a purchase decision. (Gunina, Bína, & Kincl, 2018) "Micro, small and medium-sized enterprises (SMEs) are the driving force of the European economy. They are an essential source of job opportunities, they create entrepreneurial spirit and innovation in the EU and therefore present crucial support of the competitiveness and employment" (Verheugen, 2006).

## REVIEW OF LITERATURE

Entrepreneurship creates a new job where it has not existed before. This definition seemed clear. The most common type of entrepreneurship is the entrepreneurship of small and medium enterprises (SMEs). This type of business venture is likely to be launched by one person: it will supply a local market that will grow and become a small or medium business that works for the local market. This type of business endeavor does not have to make a big profit. (Aulet , 2015)

Entrepreneurship is one foundation on which national economies can develop and progress. (Mikič, Sopta, & Horvatović, 2018)

Entrepreneurs use different promotional activities to sell their products and thus meet customer needs and generate income. When determining the optimal combination of a promotional mix for a particular product, the following influential factors are included: available financial assets, product characteristics, target market characteristics, existing relationships with consumers / customers, the life cycle phase in which the product is located, business policy of organization, degree of organization. (Malinović, 2018)

Communication and operational objectives must be mutually consistent. Together they are directed in three main directions to:

- getting to know the customer and the consumer with the product,

- Creating a desire for a buyer / consumer to buy a product and maintaining balance and between production and placement, and what can be achieved by appropriate marketing management activities. (Avlijaš , 2010)

In a business environment characterized by turbulent changes, the marketing environment gets a completely new dimension. Traditional forms of establishing relationships with consumers are increasingly interwoven with the presence of modern information and communication technologies, thus changing daily business activities. (Kocić & Radaković, 2018)

Digital marketing implies the promotion of products or services using digital communication channels to make the message reach the primary or target audience. There is no precise definition of digital marketing, but it is important to define its goal, ie to create and maintain a connection between the company and the user / buyer of its products and services.

Therefore, in digital marketing, ROI can be calculated in any aspect and at any time. "Digital marketing can be reduced to several thematic structures: Search Engine Optimization (SEO), Content Marketing, Search Engine Marketing (SEM), Digital Display Marketing, Remarketing Social Media Marketing, YouTube & Video Advertising, Email Marketing, Mobile Marketing Affiliate Marketing, Web Analytics, Split Testing, Strategy and Planning, Customer Relationship Management (CRM) ". (Borčić, 2017)

The concept of integrated marketing communication (IMC) combines diverse marketing tools for the purpose of securing transparency, coherence and maximization of the impact of communication. Controlled flow of information between an organization and its partners makes it possible to build a coherent context of the conveyed messages. (Jarosławska-Sobór & Dulewski, 2018)

If you are looking for the most effective and fastest communication channel for promoting products and services, social networks are one of the solutions. They provide the opportunity to achieve far more significant results than those achieved in other marketing techniques and tools, with individual approach and targeted marketing strategy.

Interactive marketing is currently considered one of the fastest growing forms of marketing communication B2C model, that is, the model of communication between the organization and users. (Pollák & Dorčák, 2016)

For enterprises having reached a certain level of digital maturity, there are certain key areas that they should focus on to harness the full potential of digital transformation. (Witold, 2017)

## METODOLOGY AND DISCUSSION

The research part of the work is designed to show that digital marketing influences the final decision on the establishment of entrepreneurial ventures, the increase in sales and the rating of a product or service. A survey technique was used to collect relevant data. The Consumer / Customer Survey was composed of 10 questions, while the survey for small entrepreneurs also had 10 questions.

The research was conducted on December 1 - 31, 2018 year. The survey involved friends, acquaintances and unknown respondents, polls were saluted using new technologies, or via e-mail, Facebook, Viber, Instagram, as these are the most commonly used applications in the country.

After completion of the research, all data were carried out numerically and perceptually, graphical representations of statistical data were given in accordance with the questions from the questionnaire and from the interviews, as well as a comparison of the views of the respondents between these two questionnaires.

For the purposes of this research, the most important question was chosen which answers the hypothesis: "How do consumers get information about small domestic brands?"
To test for the hypotheses used a non-parametric statistical test Chi-square ($χ2$) and to test the independence of the characteristics according to the following formula. $χ2 = Σi = 1 m (ƒi - ƒi (t)) 2 / ƒi (t)$.

## RESULTS AND DISCUSSION

The research was carried out on the territory of the city of Banja Luka, the research was attempted to determine the attitudes of the respondents as to whether an adequate choice of marketing strategy could have a favorable impact on the entrepreneurial venture, the research was done on a random sample of 147 respondents. Two questionnaires were made for the needs of the research.

In the first questionnaire how marketing activities affect the sale of products and services of small enterprises participated 112 respondents from the territory of BiH / Republic of Srpska.
In the long questionnaire referring to small entrepreneurs from BiH / Republic of Srpska, 35 respondents participated. The respondents' interests are in the textile industry (12 respondents), the food industry (14 respondents), and the sale of small and large consumer goods (9 respondents).

If we analyze the demographic and socioeconomic structure of the respondents, 82 female respondents (55.782%) and 65 male males (44.218%) were found. According to the level of education, the highest number of respondents were with 78 (53.061%), 63 (42.857%) and master (6.088%). Employees 96 (65.306%) and unemployed 51 (34.694%). The survey was carried out during the month of March - April 2019 using a structured questionnaire containing questions about the specific opinions of the respondents.

The test results are shown in the following tables.

| Demographic variables | Respondents | Percent |
|---|---|---|
| Gender | | |
| Male | 65 | 44.218 |
| Female | 82 | 55.782 |
| Employed | | |
| Employed | 96 | 65.306 |
| Unemployed | 51 | 34.694 |
| Education | | |
| High school | 78 | 53.061 |
| Faculty | 63 | 42.857 |
| Master or PhD | 6 | 4.082 |

Table 1 Socio - demographic data

Asked the question - How do consumers get information about small domestic brands? The following responses were answered: friends answered 27 of them, via Google 19, via Facebook 39, and this was answered by most respondents, followed by Instagram 35, You Tube 18, and 9 by email.

With the application of the appropriate test, i.e. X2 - the independence test and, with a probability of 95%, the zero hypothesis was verified.

Output data: Number of rows m = 5, column number k=2. r = (m-1)*(k-1)= (5-1)*(2-1)= 4, X2(α;r) = X2(0,05,4)= 0,792993. How is the calculated value X2=0.792993 < , X2(0,05,4)=9,49 since the calculated value of X2 is smaller than the table, means that the assumed zero hypothesis is accepted, that is, the role and selection of an adequate marketing concept in the entrepreneurial enterprise has a huge impact on the company's operations, to the needs and wishes of consumers, i.e.. The data obtained has a normal distribution.
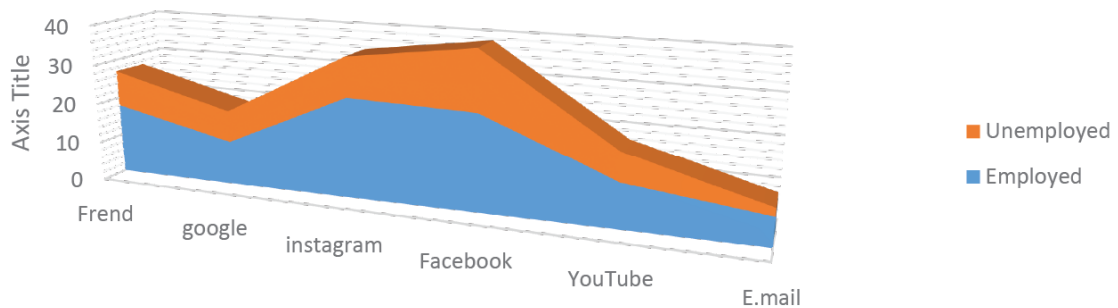
Table 2 Authors' research

## CONCLUSION

Modern business conditions, implying companies to be constantly adapting and changing. At the very beginning, or the development of entrepreneurship in general, marketing as a business function did not have an emphasized role as it is today. Marketing in an entrepreneurial venture is aimed at highlighting, in the best possible way, all the advantages that the company has at its disposal, with a focus on the value that the company delivers to end users. The goal of every entrepreneurial venture is not only achieving competitive advantage but also maintaining it over time.

Based on the results of the research, it can be concluded that the use of new information technologies greatly influences the promotion of a small enterprise and consequently sets the zero hypothesis: H0- The role and selection of an adequate marketing concept in the entrepreneurial venture has a huge impact on the company's operations, on the needs and wishes of consumers, Knowing what consumers expect from the final product or service.

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# A MORE EFFECTIVE PROCESSING CORRUPTION CRIMINAL ACTS REALIZED A FASTER WAY TO EUROPEAN INTEGRATIONS

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*Abstract*

*The investigative and judicial authorities of Bosnia and Herzegovina represent a key lever in accomplishing one of the important tasks on the road to European integration, such as the detection and prosecution of corruption criminal acts.*

*The fight against crime in general, as a comprehensive complex of investigative and judicial bodies, is achieved through the lawful, continuous and especially independent action of police, prosecutorial and judicial authorities. The basis of all actions, activities, must be the legal content of the capacity of suspicion, the truth produced on the basis of the cognition processes of police prosecuting authorities, with some judicial review, as well as the final judicial evaluation of the evidence in the decision.*

*The current situation in Bosnia and Herzegovina shows a gloomy picture of the lack of a clear operationally investigative and evidentiary orientation of the investigative and judicial bodies, with constant direct - indirect interference by political, state "powerful" who challenge their knowledge, competence and ultimate goal.*

*The paper will analyze and update the current state of the key problems of prosecution of corruption criminal acts in Bosnia and Herzegovina, through the presentation of criminal and criminal - procedural teachings on combating corruption, with an emphasis on necessary and possible courses of action. The overall functioning of the competent authorities and institutions of the system will be viewed in the context of a faster and better path to European integration.*

*Presentation of individual objects from our reality will emphasize the positive and negative tendencies, which as such are necessary in the context of the overall event and situation in this very complex and current area of social reality.*

**Keywords:** *detection, prosecution, corrupt criminal acts, European integration.*

## INTRODUCTION

Corruption crimes are more and more present in all parts of society, but also on an ever-increasing scale, when it comes to Bosnia and Herzegovina. Citizens perceive corruption as one of the ways to exercise basic rights. The prevalence of corruption, a very small number of convictions in corruption cases, is one of the key problems in Bosnia and Herzegovina, undermining reforms that could lead to a more functional and self-sustaining country and a faster and easier path to European integration. The number of foreign investments in Bosnia and Herzegovina is decreasing, and in addition to the complexity of the state structure and political instability,
one of the main reasons is the very high degree of corruption[1]. Detecting and prosecuting corrupt crimes is a great challenge for much more developed countries in the world. In this regard, it is not a big surprise that Bosnia and Herzegovina, burdened with a number of other problems, finds it difficult to find mechanisms to fight against this evil. In Bosnia and Herzegovina, among other things, the legal

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1 Competitiveness Report 2015 - 2016: Reflection on the Reform Agenda: Working Material, Round Table, Academy of Sciences and Arts of BiH and Faculty of Economics, University of Sarajevo, Sarajevo 2016. Retrieved from: Adela Bejatović Janušić, "Key Problems in Prosecuting Corruption in Bosnia and Herzegovina: Material legal aspects ", Analitika, Center for Social Research, Review 1/2018. Sarajevo in 2018. Str. 6.

and institutional framework for fighting corruption is very poor and inadequate. In addition, the lack of law enforcement negatively affects citizens and institutions. The penalties imposed do not deter perpetrators from corruption. The poor results of the police and the judiciary in prosecuting corrupt crimes stem from the nature and phenomenon of the corrupt act, which is shrouded in secrecy, because when it comes to corrupt crimes, they lack what is not the case with other crimes, and that is the interest of the injured party. that the suspect be discovered or punished. All this and much more leads to insufficiently good institutional and legal solutions. In this paper, special attention will be paid to the material - legal aspect, ie the problems and obstacles to more efficient detection and prosecution of corrupt crimes in Bosnia and Herzegovina, the improvement of which would achieve a faster path to European integration.

## LEGAL FRAMEWORK IN BOSNIA AND HERZEGOVINA AND INTERNATIONAL STANDARDS

There are four criminal laws in Bosnia and Herzegovina (KZ BiH, KZ FBiH, KZRS and KZDB), which prescribe incriminations for criminal offenses of corruption. In addition to the above, it is unavoidable to point out the complexity of the socio - political organization of the country, ie the existence of four separate legal jurisdictions. In the four mentioned criminal laws. Corrupt crimes are separated into separate chapters, which are also linguistically differently titled[2]. There are also linguistic differences in the names of criminal offenses, and in the capacity of perpetrators, who can be officials or responsible persons in institutions of a certain level of government. The basic feature of corrupt criminal offenses in the context of Bosnian - Herzegovinian criminal law is the violation of official duty, which is also a general object of protection according to which all offenses are classified into special units of legal texts. Corrupt criminal offenses are also called official criminal offenses, for the simple reason that in most of these criminal offenses an official and responsible person appears as the perpetrator. While examples are used in the criminal offenses of giving gifts and other forms, ie when the perpetrator is not an official person, the criminal offense is still related to the performance of a certain activity, which is why it belongs to the group of civil servants. One of the most frequently

investigated features of corrupt crimes is greed, and it is especially important whether the act of execution is undertaken with the aim of gaining benefit for oneself or another. When it comes to proving corrupt crimes, it is important to emphasize that the act of committing always constitutes a conscious and voluntary illegal act, so it is important to determine the direct intent and intent of the action to benefit themselves or others, or to do any harm, which would be the basic motive for execution. It is necessary to find that the acceptance and implementation of international obligations has greatly determined the content of corrupt crimes, ie their incriminations in all criminal laws in Bosnia and Herzegovina. Precisely for the sake of international monitoring and frequent and precise recommendations of GRECO, all criminal laws in Bosnia and Herzegovina have been amended several times. But it is important to emphasize that these processes were not coordinated and, despite the commitment to follow European standards, led to the existence of four criminal laws that are not fully harmonized with each other[3]. The previously mentioned specificity of the internal organization of Bosnia and Herzegovina imposes significantly more complicated harmonization in relation to other countries that are in the process of accession or have already joined the European Union. In connection with the above, the problem of harmonization appears on two levels: harmonization at the level of Bosnia and Herzegovina and harmonization with international documents. Amendments to the Criminal Code in 2010 specify the definition of the terms "official person" and "responsible person" in a way to determine which functions are covered by these terms, introduce new terms "legal person", "foreign official" and "international official "and, among other things, the obligation to confiscate benefits is incorporated directly into the text of corrupt incriminations. In the criminal offense of receiving gifts and other forms of benefit, the possibility opens up that the benefit is not obtained only for oneself, so the provision is specified in the sense of "for oneself or other persons". The amendments from 2015 specify the roles of "lay judge" and "arbitrator" and further clarify the concepts of property, ie property gain. In bribery, mediation is incriminated as a special form of crime. New criminal offenses are being introduced, namely: receiving or giving a reward or other form of benefit for trading in influence. All the mentioned changes at the level of Bosnia and Herzegovina largely implemented the GRECO recommendations on the harmonization of incriminations[4]. Bserving the state level, compliance with international standards can be assessed as very good, primarily due to the aforementioned changes. While, on the other hand,

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2 KZ BiH, "Chapter XIX - Criminal Offenses of Corruption and Criminal Offenses against Official and Responsible Duty. KZF BiH, "Chapter XXXI - Criminal Offenses of Bribery and Criminal Offenses against Official and Other Responsible Duties. KZ RS, "Chapter XXVII - Criminal offenses against official duty. KZ DB, "Chapter XXXI - Criminal Offenses of Bribery and Criminal Offenses against Official and Other Responsible Duties.

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3 Adela Bejatović Janušić, op.cit. p. 13.

4 Ib.

the criminal laws of the entities and the Brcko District, which have been changed several times, have lagged behind in the process of harmonization. Inconsistency within the state is actually generally most evident with differently threatened criminal sanctions for the same corrupt behaviors. These differences have mainly affected the position of the accused before the courts in terms of first instance jurisdiction or detention, but are nevertheless significant in terms of equality of citizens and legal certainty. When it comes to non-binding parts of conventions, as a very topical issue, there is the issue of incrimination of illicit enrichment in accordance with Article 20 of the UN Convention. This topicality necessarily stems from the previously mentioned degree of corruption in the societies in which we live. In addition, according to the expert public, only the confiscation of criminally acquired property can have both a preventive and repressive effect on perpetrators, which is why "the state should send a clear message that dealing with crime cannot make a profit and that profit from criminal activities can never be legalized[5]. It is precisely from this kind of thinking that the idea of criminalizing illegal enrichment, primarily of public servants, arises, all in order to make it easier to take away the profits gained from corrupt activities. Namely, it is already clear from the above that the detection, clarification and prosecution of corrupt criminal offenses is a very demanding job, ie that the phenomenon itself changes its appearance in accordance with new methods of obtaining benefits, that all participants are committed to keeping the corrupt offense undetected that in the end it is an extremely complex phenomenon from the aspect of application of criminology, criminal and criminal procedure law in a specific case.

## PROCESSING CORRUPTION CRIMINAL ACTS

The assessment of the High Judicial and Prosecutorial Council in Bosnia and Herzegovina is that the judiciary is not effective in prosecuting corrupt crimes.[6] The vast majority of lengthy indictments in corruption cases before courts in Bosnia and Herzegovina end in acquittal. Some of the key reasons are the lack of adequate professional training and insufficient experience of some prosecutors in dealing with these cases, which are objectively the most difficult to prove and require additional knowledge and skills. In addition to the subjective reasons for inefficiency, which the High Judicial and Prosecutorial Council cites in its reports, the theory often discusses the complexity of the phenomenon of corruption itself with various manifestations that change over time.

Previously, some general characteristics of certain corrupt criminal offenses prescribed in the laws of Bosnia and Herzegovina are listed, which are very important for understanding, among other things, the material and legal complexity of the phenomenon. These characteristics refer to all prescribed acts of corruption, so in each specific case, with regard to the act of execution, it is examined which act is in question. Given the above, in practice there are often dilemmas regarding qualifications that depend on a number of specifics, which is one of the basic objective problems in prosecuting corruption.

### Formulating accusations

The analysis of the prosecution of corruption offenses in Bosnia and Herzegovina pays special attention to "precision in formulating charges", "analysis of verdicts through the characteristics of the offense, the nature of the perpetrator, the act of execution, the subjective attitude of the perpetrator, the imposition of criminal sanctions and confiscation of property." As well as "the quality of the reasoning of court decisions, omissions in proving intent, ie intent, the character of the executor and the penal policy". The prosecutor precisely formulated the indictment, when it clearly and comprehensively indicates "the reason for the accusation - that is, the actions alleged by the accused and on which the accusation is based, but also the nature of the accusation - that is, the legal qualification of the act"[7]. It is particularly important that the description of the actions or criminal conduct in the indictment is consistent with the chosen legal qualification and that it includes all the factual and subjective elements of the charged criminal offense. This condition corresponds to the standards prescribed by domestic laws in Bosnia and Herzegovina[8]. Among other characteristics, criminal procedure laws stipulate that indictments contain "a description of the offense from which the legal characteristics of the offense derive, the time and place of the commission of the offense, the object and means by which the offense was committed, and other circumstances necessary to as precisely as possible ", as well as the legal name of the criminal offense, stating the provision of the criminal law[9]. In the cases analyzed in this paper, the description of criminal conduct that served to support the charges in the indictment was seriously deficient due to the absence, or unclear identification, of one or more

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5 B. Perić, "Extended confiscation of property in criminal proceedings". Banja Luka 2011.

6 Adela Bejatović Janušić, op.cit. p. 19.

7 See ECtHR, Pélissier and Sassi v. France, 25 March 1999, pharagraph. 51.

8 https://www.osce.org/bs/mission-to-bosnia-and-herzegovina/373207?download=true.25.03.2018.godine.12:56.

9 BiH Criminal Procedure Code, Art. 227; FBiH Criminal Procedure Code, Art. 242; Law on Criminal ProcedureRS, Art. 242; Law on Criminal Procedure of BD BiH, Art. 227.

legal features of the offense. Specifically, in some cases in which the accused were charged with abuse of office, it was noted that the indictment did not clearly specify the type of commission of the criminal offense. According to the relevant provisions of the criminal law in force in Bosnia and Herzegovina, this act may be committed by an official or responsible person acting in one of the following three ways: (a) by exercising his official position or authority; (b) exceeding the limits of his official authority, (c) failing to perform his official duties.[10] It is important to emphasize that gathering evidence based on an analysis of the work of the judiciary is more complex and sensitive than analyzing the quality of indictments. In practice, difficult and complex cases may indeed end in acquittals because the evidence adduced, despite being high-quality and professionally collected evidence, does not meet the standard of proof "beyond a reasonable doubt". Such items should not be taken as evidence of dysfunction in the system. In contrast, some examples illustrate situations in which the prosecution failed to offer the court any credible evidence in relation to one or more elements of the offense.

### Reasoning for court decisions

In the previously analyzed cases, certain shortcomings were pointed out in terms of the quality of court decisions, and as soon as possible, they refer to the shortcomings when it comes to the Court's handling of the indictment. However, a verdict as the most important court decision, which makes a court decision on a certain criminal case, should meet certain standards. First of all, the obligatory parts of the verdict are prescribed by law, as stated earlier, so it is determined that the verdict must have an introduction, dictum and explanation, while it is specifically prescribed what each of these parts of the verdict should contain. The analysis seeks to point out certain trends that have been observed in written transcripts of judgments, in those segments in which concrete and realistic progress can be easily made. The main problem that has been noticed is the lack of adequate explanation in court decisions. The right to a reasoned court decision is one of the basic rights of criminal procedure, which, although not explicitly prescribed[11], represents the foundation of a fair trial and serves the interests of justice[12]. One of the reasons why the reasoning of the verdict is insisted on is certainly the possibility of filing an appeal, as an effective legal remedy and reviewing the procedure, ie the decision. The reasoning of the verdict represents the embodiment of the criminal procedure and only the reasoned verdict, which gives clear reasons for everything that the court was guided by in making the decision, can be considered correct and lawful. The courts are obliged to explain their decisions in accordance with the Constitution and the law, as well as with the standards established by the case law of the European Court of Human Rights and the Constitutional Court of Bosnia and Herzegovina.[13] The quality of a court decision largely depends on the quality of the reasoning, which, in addition to making it easier for the parties to the dispute to understand and accept the decision, also provides protection against arbitrariness. In the reasoning, the judge must respond to the submissions of the parties and specify the points on which the decision is justified and which make it lawful. The reasoning must be consistent, clear, unambiguous and consistent and must enable the reader to follow the reasons that led the judge to make such a decision. The reasoning must reflect the conduct of judges in accordance with the principles established by the European Court of Human Rights, which is primarily respect for the right to defense and the right to a fair trial.

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10  See Article 220 of the CC BiH, Article 383 of the CC FBiH, Article 315 of the CC RS, Article 377 of the CC BD BiH. According to the Commentary on the relevant provisions of the CC BiH, the first manner or type of this act "exists when an official undertakes actions that are formally within the scope of his authority, but are illegal in material terms, because they are contrary to the interests and tasks of the service"; accordingly, "a typical example of such abuses of official position are abuses related to the so-called discretionary powers, when the official person, when passing an act or resolving a case, is authorized to choose the most expedient one from among several decisions ". The second type "exists when an official acts outside his authority, outside his actual competence ... because he undertakes an official action that is within the competence of another official (higher or lower instance), or belongs to a completely different service (so-called usurpation)" ; see Commentary on the CC BiH, group of authors, 2005, p. 721.

11  Article 6 of the ECHR.

12  Human Rights in Criminal Proceedings, Stephan Trechsel, Oxford University Press, 2005, p. 103.

13  https://www.osce.org/bs/mission-to-bosnia-and-herzegovina/373207?download=true.

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### Criminal policy

Part of the Analysis deals with phenomena within penal policy. Given that these are crimes that pose a special social danger because they attack the fundamental moral values of a society, and for which imprisonment is prescribed, certain statistics show that imprisonment is imposed in less than 1/3 of cases,[14] even when the accused are sentenced to imprisonment, these are relatively short or mild sentences.[15] Mild penal policy, the effectiveness of which is questionable - from the aspect of general and special prevention, is continuously pointed out by the European Convention, so the Report for 2015 states that "Penalties in force are sufficiently deterrent to corruption." in view of the fact that the penalties prescribed for certain corrupt criminal offenses are moving towards the general legal minimum. The justification for that is, perhaps, a lower intensity of endangerment or violation of the protected property, which does not require stricter punishment. Thus, in certain criminal offenses, such as embezzlement or negligent service, the basic form of imprisonment is six months. One of the reasons for the mild penal policy through the practice of the courts is reflected in the fact that the percentage of cases in which sanctions were imposed on the basis of plea agreements or criminal warrants. When concluding a plea agreement, the advantages that this institute provides in terms of imposing a sentence below the legal minimum are extensively used. In such cases, the agreement usually provides for the imposition of a sentence below the legal minimum provided for in the relevant article of the Criminal Code, or for the imposition of a suspended sentence[16]. Here it is important to draw attention to the general approach to proposing sanctions when concluding an agreement. Namely, although all procedural laws in Bosnia and Herzegovina provide for the possibility that when negotiating a plea agreement and concluding a plea agreement, a milder sentence may be proposed, ie a sentence below the legal minimum may be proposed, this does not mean that this possibility should always be take advantage.

### Confiscation of property gain and deciding on a property claim

Based on the analysis of verdicts, it was noticed that it is very rare to act in accordance with the imperative provisions of criminal law, but also the law on criminal procedure, which requires the obligation to determine and confiscate the proceeds of crime. Namely, one of the basic principles of criminal law, contained in the general part of all criminal laws of Bosnia and Herzegovina, is that no one can retain the proceeds of crime[17]. All criminal laws prescribe the obligation to confiscate property gain not only from the accused, but also from other persons to whom that benefit has been transferred in an unscrupulous manner. The criminal legislation has undergone additional changes in this part, with the aim of introducing the possibility of the so-called extended confiscation of property, in case the verdict established that one of the criminal offenses from certain chapters of the Criminal Code was committed, as well as that the prosecutor provided sufficient evidence to reasonably believe that such property was acquired illegally, and the perpetrator did not successfully dispute those allegations[18]. The provisions of procedural laws in Bosnia and Herzegovina prescribe the duty of the prosecution to establish the facts and obtain evidence relevant both for making a decision on confiscation of proceeds of crime and for making a decision on the property claim of the injured party. A property claim has priority over property gain, given that the amount

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14 https://usaidjp.ba/assets/files/publication/1528110158-anal-iza-procesuiranja-koruptivnih-krivicnih-djela-u-bih.pdf.

15 With the exception of the crime of illegal mediation.

16 Article 334 of the ZKP of BiH (identical norm in Article 350 of the ZKP of FBiH, Article 358 of the ZKP of RS and 334 of the ZKP of BD) "(1) For a criminal offense punishable by imprisonment for a term not exceeding five years or a fine as the main punishment. gathered sufficient evidence to support the allegation that the suspect committed a criminal offense, the Prosecutor may in the indictment request the Court to issue a criminal order - in which he will impose a certain criminal sanction or measure on the accused without conducting a main hearing. (2) The prosecutor may request the imposition of one or more of the following criminal sanctions: a fine, a suspended sentence or a security measure: a ban on performing certain vocations, activities or duties or confiscation of objects, as well as a measure of confiscation of proceeds of crime. (3) The imposition of a fine may be requested in the amount that may not exceed 50,000 KM. "

17 Article 110 of the KZ BiH, Article 114 of the KZ FBiH, Article 83 of the KZ RS (Article 94 of the previous law) and Article 114 of the KZ BD.

18 Article 110a of the KZ BiH, which refers to extended confiscation, reads: "When criminal proceedings are conducted for criminal offenses under Chapters XVII, XVIII, XIX, XXI, XXI A and XXII of this Law, the court may, by a decision [establishing that criminal act committed] to confiscate that material gain, income, profit or other benefit from material gain for which the plaintiff provides sufficient evidence to reasonably believe that such material gain, income, profit or other benefit from material gain was obtained by committing these criminal offenses, and the perpetrator did not provide evidence that the benefit was obtained legally. "The provisions of Article 114a paragraph 1 of the FBiH KZ and Article 114 paragraph 1 of the BD KZ are similar. In the RS, the institute of extended confiscation was introduced by a special Law on Confiscation of Property Acquired by Committing a Criminal Offense, "Official Gazette of the RS", No. 12/10.

of property gain is determined only if it exceeds the value of the property claim and only in the part not covered by this claim. The court is also obliged ex officio to confiscate the proceeds of crime, while in relation to property claims, the possibility of deciding in criminal proceedings or instructing the injured party to pursue his claim in litigation. Although the criminal procedure legislation clearly establishes the obligations of the prosecutor regarding the collection of evidence related to the property claim and the proceeds of crime, in practice they are very often completely neglected. Thus, in the analyzed sample, it was noticed that they very rarely propose and implement evidence aimed at determining the realized property gain, as well as that it is very rarely confiscated in the end. Confiscation of property gain is prescribed in some criminal offenses within the offense itself, and for that reason it is even more problematic when one fails to determine the amount of acquired benefit and propose its confiscation. In addition, the crimes of corruption are motivated by greed, so the need to properly investigate and determine the issue of confiscation of property is even more pronounced. Having in mind all the above, as well as the general perception of prosecuting corrupt crimes, it is important to be more persistent in confiscating illegally obtained property, in order to prevent illegal enrichment by committing crimes and avoid the impression of unfairness and weakness of the repressive apparatus.

## APPLICATION OF MULTIPLE REGRESSION MODEL IN ANALYSIS OF PROCESSING CORRUPTIVE CRIMINAL ACTS WITH TWO CORRELATION RELATIONSHIPS:

Analysis of the processing of corrupt crimes in Bosnia and Herzegovina, using a multiple regression model,[19] which was done in this paper, based on the use of official statistics of judicial bodies in Bosnia and Herzegovina (2009 - 2019), or the High Judicial and Prosecutorial Council (HJPC) and the Agency for Prevention of Corruption and Coordination of the Fight against Corruption (APIK) of Bosnia and Herzegovina and the report of Transparency International (TI) in Bosnia and Herzegovina, which continuously conducts certain analyzes to inform the general and professional public about the success of the authorities. work, when it comes to the prosecution of criminal offenses on the subject of corruption, at this time can be of great importance and use value. The aim is to identify certain trends in the work of the judicial authorities of Bosnia and Herzegovina in terms of detecting, clarifying and proving corruption offenses, which will add value to the data presented below. Data on the prosecution of corrupt crimes were analyzed collectively according to the courts in Bosnia and Herzegovina, through two correlations;

- **The first correlation** is the relationship between the report and the initiated investigation and the indictment;

- **The second correlation** is the relationship between confiscation of property and a conviction.
With the established correlation connections, it is necessary to prove or refute the set hypothesis; *that, "the prosecution of corrupt crimes is conditioned by the quality of available evidence that changes qualitatively, from the presumed high quality of evidentiary facts, to the degree of suspicion or complete disappearance, which is why the court must apply the principle" in dubio pro-reo "- resulting in acquittal. "*

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19 This model provides the best possible prediction of the value of a dependent variable based on the value of the independent variables, if all assumptions are met. Based on the magnitude of the regression coefficients, we can conclude what the relative impact or importance of each independent variable is, if these coefficients are converted into beta coefficients β. These coefficients are obtained when all values of variables are standardized. One of the assumptions for the use of regression analysis is the existence of a linear dependence between variables. It is necessary because the analysis begins with the calculation of simple correlation coefficients (bivariate correlations) for all pairs of variables, and all these calculations require a linear relationship between pairs of variables.

*The first correlation:*

| Correlations | | Report corruption | Corruption investigation | Indictment growth for Corruption |
|---|---|---|---|---|
| Report corruption | Pearson Correlation | 1 | .481 | .706 |
| | Sig. (2-tailed) | | .044 | .045 |
| | N | 10 | 10 | 10 |
| Corruption investigation | Pearson Correlation | .481 | 1 | .100 |
| | Sig. (2-tailed) | .044 | | .797 |
| | N | 10 | 10 | 10 |
| Indictment growth for Corruption | Pearson Correlation | .706 | .100 | 1 |
| | Sig. (2-tailed) | .045 | .797 | |
| | N | 10 | 10 | 10 |

**Source: author's data processing in SPSS.20.

Table 1. Correlation between the report of a corrupt criminal offense, initiated investigations and indictments

The previous table shows that there is a fairly strong correlation between the report for corruption offenses and the indictment and it is 0.706, and it is statistically significant, because p = 0.045 <0.05. These data imply that the growth of reports of corrupt crimes follows the growth of indictments. Also, there is a mean correlation between the report and the initiated investigation, and it is 0.481, and it is statistically significant, because p = 0.044 <0.05. This points to the conclusion that the growth of reports affects the growth of initiated investigations. Certainly, this conclusion contributes to confirming the hypothesis that in many cases many things are reported as corruption, in connection with this increase in the number of reports, the sequence of increasing indictments is logical, but in previous analyzes we have seen that or the suspension of criminal proceedings or an acquittal, and all of the above largely depends on the quality of the investigation and the collection and provision of evidence, on the basis of which a quality indictment can be expected, followed by a conviction.

*The second correlation*

| Correlations | | Conviction for corruption | Number of cases in which confiscated property gain for corruption was pronounced |
|---|---|---|---|
| Conviction for corruption | Pearson Correlation | 1 | -.292 |
| | Sig. (2-tailed) | | .047 |
| | N | 10 | 10 |
| Number of cases in which confiscated property gain for corruption was pronounced | Pearson Correlation | -.292 | 1 |
| | Sig. (2-tailed) | .047 | |
| | N | 10 | 10 |

Source: author's data processing in SPSS.20.

Table 2. Correlation of convictions and confiscated property gains

The smallest correlation is between convictions and the number of cases in which confiscated property gain was pronounced, but even in this case it exists and amounts to - 0.292, and it is also significant, because p = 0.047 <0.05. This negative correlation explains that the increase in convictions for corrupt criminal proceedings has resulted in a decrease in the number of cases in which confiscated property has been pronounced. This implies that courts in Bosnia and Herzegovina very rarely impose a measure of confiscated property for corrupt crimes, regardless of the conviction. Which also proves the previously set hypothesis on the quality of the investigation and quality provision of evidence at all stages of the criminal proceedings, which ultimately has the aforementioned result.

## CONCLUSION

The presentations so far are the result of continuous work related to the analysis of the work of the judicial sector, when it comes to prosecuting corruption in Bosnia and Herzegovina. The conclusions that are presented and that are further presented are a picture of specific cases individually or the identification of possible problems that may be important for the prosecution of corruption, as one of the conditions for a faster path to European integration. Criminal and criminal procedure legislation, and in particular the parts related to the detection and proof of corruption, must be harmonized at all levels in Bosnia and Herzegovina. In order to ensure the conditions for efficient criminal prosecution for criminal acts of corruption as well as for other criminal acts, and thus a faster path to European integration, it is necessary to notice the difference between the subject of complex corruption and the so-called petty corruption, in order to more adequately apply certain criminal measures and actions. Through the analysis of available data on the detection and prosecution of corrupt crimes, ie court verdicts in corruption cases, it was noticed that court verdicts in corruption cases indicate that evidence of corruption crimes is easier to transform, remove, which weakens the efficiency and quality of detection and proving. The analyzed data imply that the growth of reports of corrupt crimes follows the growth of indictments. Also, there is a middle correlation between the report and the initiated investigation. This points to the conclusion that the growth of reports affects the growth of initiated investigations. Certainly, this conclusion contributes to the confirmation of the hypothesis that in many cases many things are reported as corruption, in connection with this increase in the number of reports, the sequence of increasing indictments is logical, but in previous analyzes we have seen that this often results in criminal suspension. procedure or acquittal, and all of the above largely depends on the quality of the investigation and the collection and provision of evidence, on the basis of which a quality indictment can be expected, and then a conviction. The smallest correlation is between convictions and the number of cases in which confiscated property gain was pronounced, but even in this case it exists, and it is significant. This negative correlation explains that the increase in convictions for corrupt criminal proceedings has resulted in a decrease in the number of cases in which confiscated property has been pronounced. This implies that courts in Bosnia and Herzegovina very rarely impose a measure of confiscated property for corrupt crimes, regardless of the conviction. Which also proves the previously set hypothesis on the quality of the investigation and the quality of providing evidence at all stages of the criminal proceedings, which ultimately has the aforementioned result. Based on the overall analysis of key segments of work, through the elaboration of theoretical and practical aspects of detecting, clarifying and proving crimes and perpetrators, with special reference to corrupt crimes, it can be concluded that the quality of indicative and evidentiary facts on which the court bases the verdict. determines the overall status and determination of the competent authorities in the proceedings. The fight against corruption is one of the biggest challenges facing Bosnia and Herzegovina in the European integration process. Citizens in Bosnia and Herzegovina consider the fight against corruption one of the priorities in addition to solving economic problems. Bosnia and Herzegovina is a signatory to important international agreements related to the fight against corruption, as well as to ensure that laws at all levels are continuously harmonized with international standards. Nevertheless, compliance cannot currently be assessed as satisfactory, and in this sense several key interventions are forthcoming, primarily related to GRECO's binding recommendations, but also to wider legislative interventions. In the context of international standards, Bosnia and Herzegovina must continuously consider non-binding recommendations of international bodies in this area, and adapt its legal solutions to the real needs of the fight against corruption. The problems need to be analyzed in a comprehensive way, and to determine the reasons that the existing legal framework, ie the existing legal practice did not give the expected results in the fight against corruption, and that a stronger response of the judicial authorities of Bosnia and Herzegovina is needed. one of the conditions for achieving a faster path towards European integration.

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