



# Strategic management

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# Hybrids by Choice or by Chance: Applying Hybrid Spectrum Typology in Croatian Tourism

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## Abstract

This paper analyses the concepts of hybridity and hybrid spectrum organizations as important phenomena in the modern world. To improve the understanding of this concept, main characteristics of hybrid organizations are listed and discussed, with emphasis on typology of the hybrid spectrum. In order not to stop at a mere theoretical review, the purpose of this paper is to analyze specific characteristics of organizational hybrids in the field of tourism and to discuss the influence of some external environmental determinants (e.g. level of tourism development and the context of national legislation) on the motivation and mission of hybrid organizations. Croatia has been chosen as a study area, being one of the most popular tourist destinations in Europe, as well as an example of an economy that is heavily dependent on tourism. The results of the discussion provide arguments in favor of adopting a hybrid approach for sustainable tourism development. The selected examples from Croatia underline the necessity of introducing more sustainable business models in this financially lucrative sector, but also emphasize the key role of specific contextual circumstances in forming and developing hybrid organizations.

## Keywords

Hybrid organizations, hybrid spectrum, tourism, sustainability.

## Introduction

Hybridity as a phenomenon is discussed in contemporary literature and practice from various perspectives. Since the term itself originates from nature, more specifically from hybrid species, the general notion of hybridity encompasses a combination of elements that have usually been perceived as separate from one another (Schmitz & Glanzel, 2016). The concept has a wide usage in technology, the IT sector, business management and organizational studies. The latter represents the framework through which hybridity will be examined in this paper.

There is no generally accepted definition of hybrid organizations, because there are various research streams with different points of focus.

The perspective of special interest for this paper perceives hybrid organizations as a combination of economic and social features, or as defined by Cooney “organizations that combine business enterprises with a social purpose mission” (Cooney, 2006, p. 145). This type of hybrid organization is growing in numbers and strength (Alberti & Varon Garrido, 2017). Moreover, some authors argue that the hybridization process, as the development of sustainable solutions to different problems through innovative business models, offers a promising vehicle for the creation of both social and economic value and represents an early step in a broad reformulation of the current economic order (Battilana, Lee, Walker, & Dorsey, 2012). To better understand this concept and facilitate

strategic management and planning for the further development of hybrids, existing research still requires more discussion on the common identifying characteristics of hybrid organizations and their activities, mission and contribution through the lenses of particular sectors. Hence the purpose of this paper is to identify and analyze specific characteristics of organizational hybrids in the field of tourism and to discuss the influence of some external environment determinants (e.g. level of tourism development and the context of national legislation) on motivation, mission and the overall social and economic impacts of hybrid organizations.

For establishing a theoretical framework in the first part of this paper, the approach of hybrid organizations as a vast continuum between completely non-profit features and exclusively commercial features (Dees, 1998; Dees & Anderson, 2003) is adopted and simplified by using the hybrid spectrum typology developed by Sutia Kim Alter (Alter, 2007). The types of organizations within the hybrid spectrum typology are then discussed in terms of the tourism sector of Croatia in the second part of the paper. Croatia was chosen as one of the most popular tourist destinations in Europe, as well as an example of an economy that is heavily dependent on tourism. The specific conditions in a particular sector and national legislation enables discussion on hybrids not just as “idealistic” organizations created by inspired philanthropic entrepreneurs, but also as phenomenon rooted in specific legal and sectoral contexts. Through the discussion on several specific examples of hybrids from Croatian tourism practice, the importance of the legal context in terms of constraints as well as opportunities is emphasized in order to compare hybrid organizing by choice with organizing by chance.

### 1. Short overview of hybrid organizations and the hybrid spectrum

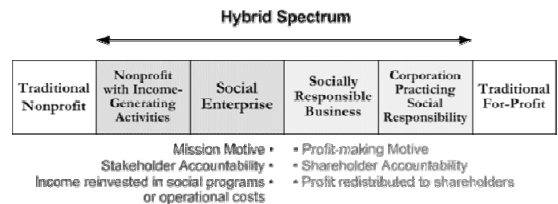
The complexity of the concept of hybridity in the field of business and organizational studies is visible in the many attempts to define it. According to Grassl’s systematization of literature, hybrids can be identified by various criteria of classification, based on the elements they are combining (Grassl, 2012):

1. by ultimate ends: for-profit vs. non-profit
2. by societal sector: market vs. civil society vs. state

3. by type of integration: external vs. integrated vs. embedded
4. by goods produced: private vs. public
5. by product status: goods vs. services
6. by agents of value creation: producers vs. consumers
7. by ownership (corporate governance): private vs. cooperative vs. public

The main focus of this paper is on “sustainability-driven” organizations which combine businesses’ industrial and innovation strengths to become economically potent entities, but also address specific social and environmental issues and perform the following activities: (1) drive a positive social/environmental change as an organizational objective, (2) create mutually beneficial relationships with stakeholders and (3) interact progressively with the market, competitors, and industrial institutions (Haigh & Hoffman, 2012).

Since non-profit vs. for-profit and economic vs. social are the most important dichotomies for our approach, the hybrid spectrum typology developed by Kim Alter will be used as the key model for understanding the types of hybrid organizations in the context of their motives, accountability and profit orientation/use of income.



**Figure 1** Hybrid spectrum  
Source: Alter, 2007, p. 14

Figure 1 represents the model with two main groups of organizations: profit driven organizations on the right, which include socially responsible businesses and corporations practicing social responsibility, and mission-driven organizations on the left, comprised of social enterprises and non-profits with income-generating activities. Organizations on the left side are usually funded with the purpose of creating social value and their financial sustainability is ensured through fundraising, but also by market-oriented activities (especially in the case of social enterprises). On the right, the “for-profit” part of the spectrum includes organizations with more entrepreneurial characteristics which cater to interests of owners/stakeholders, but still differ from “classic” for-profit companies in terms of strong social pro-

grams and even find the social outcomes of their activities equally important as financial sustainability (the case of socially responsible businesses).

As the author of the hybrid spectrum typology, Alter describes the main four types of hybrid organizations in more detail as follows (Alter, 2007):

1. Non-profits with income-generating activities: non-profit organizations that incorporate some form of revenue generation through commercial means into their operations. Usually those income-generating activities are not conducted as a separate business, but are rather integrated into the organization's activities. Usually revenue from such activities is relatively small compared to traditional fundraising contributions
2. Social enterprises: organizations operating as businesses with market activities, but with the motive/mission to create a specific social value. The purpose of the entrepreneurial approach may be an additional funding mechanism for the organization's social programs or operating costs, a sustainable mechanism in support of the organization's mission or a leadership development mechanism in support of social innovation. Business success and the social impact of social enterprises are interdependent and their activities are usually managed and/or overviewed by qualified staff with experience in business or industry.
3. Socially Responsible Businesses: For-profit companies that operate with dual objectives: making profit for their shareholders and contributing to a broader social good. In socially responsible businesses the degree to which profit-making motives affect decisions and the amount of profit designated for social activities differs. Socially responsible businesses are willing to forsake profit or make substantial financial contributions rather than distribute earnings privately, and frequently place social goals in their corporate mission statements. In some cases, a socially responsible business may be considered a social enterprise when it is a registered for-profit subsidiary owned by a non-profit organization (parent organization) created for the purpose of earning income for the parent organization as well as supporting a social cause.

4. Corporations practicing social responsibility: for-profit businesses whose motives are financially driven, but which engage in philanthropy. This type of "strategic philanthropy" helps companies achieve profit maximization and market share objectives while contributing to public good. Private companies or corporations can engage in socially beneficial activities such as grants, community involvement, volunteering company personnel and sponsorships as a means to improve public image, employee satisfaction, sales and customer loyalty. Therefore, even though these philanthropic activities may support social enterprises, make a positive social impact, or contribute significantly to public good, corporate social responsibility is not classified as a socially responsible business or social enterprise.

The described typology distinguishes between four types of hybrid organizations along the non-profit – for-profit continuum, but, due to the high level of abstraction, does not provide information regarding particular organizational structures and types of activities. According to Mair and Marti, the choice of set-up of hybrid organizations is typically dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value (Mair& Marti, 2006). In the next chapter, the authors analyze the sometimes blurred boundaries between the types of hybrid organizations by applying the hybrid spectrum typology in a specific sector and national context.

## 2. Applying the hybrid spectrum typology in the field of tourism

Tourism was chosen for discussion and application of the hybrid spectrum as an extremely propulsive phenomenon with complex economic and social impacts. On the global level, reaching a total of 1,322 million, international tourist arrivals grew by a remarkable 7% in 2017, which is well above the sustained and consistent trend of 4% of average growth since 2010 and represents the strongest results in seven years (UNWTO, 2018). According to the same source, Europe achieved respectably 8% more international arrivals than in 2016, and the most successful were Mediterranean destinations.

Croatia has been chosen for the study area as a very popular tourist destination with constant growth in tourism figures. In 2017, there were 17.4 million tourist arrivals and 86.2 million tourist overnight stays recorded in tourist accommodation establishments in Croatia, so compared to 2016, arrivals increased by 13% and overnight stays by 11% (Croatian Bureau of Statistics, 2018). What sheds additional light on the importance of tourism for the Croatian economy is the fact that the contribution of tourism to the gross domestic product was a little bit over 18% in 2017, which is among the highest in Europe. This underlines the need for research of tourism enterprises from various perspectives, including their potentials to achieve social along with economic goals. The tourism context generally offers many opportunities for the development of sustainable products and services, from green tourism solutions as environmentally friendly innovations in the touristic offer (Gavrilović&Maksimović, 2018) to social tourism as a potentially valuable solution for the participation of socially disadvantaged groups in tourism/holidays (Minnaert, Maitland, & Miller, 2011).

Still, the main building blocks of sustainable tourism development are organizations/enterprises working in the field of tourism, and they are being shaped under the influence of particular national contexts and available resources. Therefore, the previously described types of hybrid organizations will be discussed through the theoretical analysis of Croatian tourism-oriented organizations.

## **2.1. Non-profits with income-generating activities in Croatian tourism**

This research identified two examples within this type: tourist boards as public sector non-profit organizations with the possibility to generate income from the market, and associations generating income directly or indirectly from tourism.

### **2.1.1. Tourist boards**

Tourist boards are non-profit entities and the only legally defined public support elements of the tourism management system in Croatia. They are mostly oriented on destination marketing and to a very limited extent, to product management. There are over 280 local tourist boards and 21 regional tourist boards - one per each county (Croatian National Tourist Board, 2018). The Tourism Development Strategy of the Republic of Croatia until 2020 analyzed that system and identified that a significant number of local tourist

boards have limited material and human resources, low functional activity, and that decisions are mostly made based on individual positions of local, municipal or regional authorities, or influenced by various interest groups (Institute for Tourism, 2013). The Law on Tourism Boards allows tourist boards of local and regional level to generate additional income from the following activities: managing public tourism infrastructure, selling souvenirs and local products, organizing events and even mediating in booking accommodation, but only if there is no registered tourist agency in that area, according to Law on Tourism Boards (Croatian Parliament, 2008). Performing those activities makes tourist boards potential hybrid organizations, but previous research on that topic confirmed that most of the tourist board directors prefer to transfer all profit-related activities to the private sector through various concession contracts and public-private partnerships rather than take the responsibility and associated risks related to market activities (Mandić, Mrnjavac, & Kordić, 2018).

However, according to the Tourism Development Strategy "When it comes to the rationalization of the system, merging of certain local tourist boards is encouraged, following the principles of spatial, functional and manufacturing integrity... Along with ensuring complete coverage of the territory of the Republic of Croatia, merger of tourist boards in certain areas, and consequently the responsibility for work in destination management, is generally based on financial self-sufficiency criteria" (Institute for tourism, 2013, p. 59). This recommendation might motivate some tourist boards to engage in market activities in order to ensure additional income, but defining mechanisms to be economically active, without creating unfair competition for the local private sector will be a very challenging task.

On the other hand, many tourist boards in the continental part of Croatia which are situated in under-developed regions do not have a sufficiently strong tourist offer or private sector initiative. For them, supporting tourism development means taking more initiative in market-oriented tourism activities, especially in public tourism infrastructure management, since attractions are the main motive for tourists to visit a certain area. In rural areas without a strong tourism tradition and renowned tourist attractions, local tourist boards can become generators of local tourism development and create sustainable tourist products with significant emphasis on environmental preservation and



social benefits for the residents of those communities (Đurkin&Wise, 2017). Therefore, for survival of such tourist boards, it is essential to engage in income-generating activities.

### 2.1.2. Income-generating associations active in Croatian tourism

According to the Croatian Law on Associations, "Association is any form of free and voluntary association of natural or legal persons who, in order to protect their interests or to promote the protection of human rights and freedoms, environmental protection and sustainable development, humanitarian, social, cultural, educational, scientific, sports, healthcare, technical, information, professional or other beliefs and goals that are not contrary to the Constitution and law, without the intention of making profit or other economically estimable benefit, submit themselves to the rules that regulate the organization and activities of this form of association." (Croatian Parliament, 2014). The same law allows associations to perform an economic activity in accordance with the law and their statute, but those activities must not be performed in order to make a profit for the association's members or third persons. If, during the performance of economic activities, an association has made a surplus of receipts over expenses, such a surplus shall be used, in line with the statute of the association, exclusively to fulfill the goals defined by the statute (Croatian Parliament, 2014).

According to the Register of Associations of the Republic of Croatia there are nearly 53,000 active associations operating in the fields of democratic political culture, spirituality, economy, hobbies, the Homeland War, art and culture, human rights, international cooperation, sport, education, science and research, sustainable development, social system and other (Ministry of Public Administration, 2018). In the thematic area of economy, there is a subsection of tourism, but only 593 associations listed it as one of their activities. However, this information should be carefully evaluated, since many associations in the field of sport, art, culture, and other fields, do not list tourism as a main activity, but do sell their products to tourists during various fairs, and organize events which become an important part of the tourist offer.

By selling products and services to tourists and visitors, tickets for events and festivals, and fees for participating in sport events in particular destinations, those associations achieve additional

income from tourism. Growth in the number of tourist arrivals, trends on the tourism market, motivation and special interests of tourists are important factors for those associations capable of producing services, products and overall experiences to satisfy tourists' expectations. Also, due to the clear restriction in the Law on Associations, surpluses generated by associations' economic activities must be used to fulfill (usually social) objectives of associations, which automatically reduces the pressure on public budgets for funding those non-profits.

One example of an association highly engaged in providing tourist offer is Istra Inspirit, which gathers individuals related to culture, visual arts, performing and acting. One of their most prominent activities is the creation and delivery of interactive visual events based on heritage, history and legends of particular places in the region of Istria (Western Croatia) and these events are mostly oriented towards tourists and visitors with the aim to provide a unique experience (Istra Inspirit Association, 2018). Performances and shows on specific historical topics (including costumes, special effects and acting prompts), so called "living history", are the main outputs of the Istra Inspirit association, while catering, transportation and other logistic issues are the responsibilities of each local event organizer (usually tourist boards). Apart from creating 12 "Istra Inspirit" events from spring to autumn that successfully combine history, art, live performances and gastronomy in a unique experience, the association offers specialized programs for children as well as custom MICE events for the business sector with the possibility of a multilingual performance (Istra Inspirit Association, 2018). Even though this is an outstanding example of a creative cultural tourism project with a promising future, it is important to note that this association is significantly supported by regional authorities and public sector institutions, and that the very idea of Istra Inspirit events was created by the Istrian county, Istrian Development Agency and Istrian Tourism board as a public project (Perić, Đurkin, & Lamot, 20143). Therefore, the sustainability of this association does not depend just on self-sufficiency because a large portion of the marketing costs, the online ticketing system, as well as initial investment in equipment and costumes are covered by public sector funding. Although this brand is, without any doubt, worth the support, the competitive advantage this particular association gains from continuous public support might seem unfair com-

pared to other associations in the same field which do not have this type of support.

A much more drastic example of seizing the favorable opportunities as an impulse for lucrative financial activities is the association “Society of Friends of Dubrovnik Antiques”, which has existed in Dubrovnik for over 60 years. Due to the specific long-term agreement with the City of Dubrovnik, this association is in charge of the maintenance and management of the city walls of Dubrovnik and walls of Ston – two significant cultural monuments that attract hundreds of thousands of visitors every year. Even though 50% of the income from the tickets for the city walls of Dubrovnik is transferred to local self-government, the remaining income surpasses the financial responsibilities related to wall preservation, and represents an abundant source for funding additional activities of this association, oriented towards culture and art.

**Table 1** Summary of a financial report of the Society of Friends of Dubrovnik Antiques for 2016

REVENUE	EUR (exchange rate from 2016)
Tickets for the city walls of Dubrovnik (50%)	5 702 388,88
Tickets for Ston walls	188 571,27
Other tickets	39 105,31
Dubrovnik city card	395 709,90
Renting space	120 678,08
Membership fees	543,88
Interests	68 620,46
Other income	1 446,95
<b>TOTAL REVENUE</b>	<b>6 517 064,73</b>
<b>EXPENSES</b>	
Maintenance of monuments	4 130 113,44
Donations and support from other institutions/programmes in the field of art and culture	160 528,76
Indirect costs (including representation, promotion, per diems, IT support, etc.)	545 535, 56
Salaries, wages, student contracts, author's contracts, etc.	1 019 316,68
<b>TOTAL EXPENSES</b>	<b>5 855 494,44</b>
<b>NET INCOME</b>	<b>661 570,29</b>

Source: summarized data from the Society of Friends of Dubrovnik Antiques, 2017

The financial report for 2016 reveals the enormous financial strength of this association compared to other Croatian non-profits. The non-profit principle has been respected in terms of expenditures on activities which are closely related to the core goals of the association. The sur-

plus at the end of 2016 was transferred to the next year.

The popularity of Dubrovnik as a destination and the city walls as one its key landmarks ensures a financially prosperous future for the Society of Friends of Dubrovnik Antiques, but there will probably be much discussion centered on the suitability of this management model, as well as the size and impact of the benefits for the community that accrue from it.

## 2.2. Social enterprises in Croatian tourism

Even though social enterprises are the most prominent representatives of hybrid organizations, this concept is still rather underdeveloped in Croatia. There is no specific law on social entrepreneurship, but in 2015, the “Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020” was adopted. It represents a key document for the creation of a policy framework for social enterprises with the main objective to boost the creation and growth of social enterprise in Croatia by establishing a more supportive institutional and financial environment. The Strategy defines social enterprises as “businesses based on the principles of social, environmental and economic sustainability, where profit/surplus is, wholly or in great part, reinvested for the community benefit” (Government of the Republic of Croatia, 2015). Social enterprises in Croatia can take any legal form and there are nine criteria to identify as / be considered a social enterprise (Government of the Republic of Croatia, 2015):

1. set balanced social, environmental and economic goals
2. produce goods and/or deliver services, or generate revenue on the market, with a favorable impact on the environment and society
3. generate at least 25% of their annual income from their entrepreneurial activities, based on a three-year operating or planning period
4. invest at least 75% of their profit/surplus in their activities and/or objectives
5. offer voluntary and open membership, and business autonomy
6. not be founded solely by the Republic of Croatia, a local/regional self-government, or a public authority
7. apply rules of democratic governance, where decision-making includes relevant

stakeholders in addition to shareholders or members

8. monitor and evaluate their social, economic and environmental impact
9. transfer assets to another social enterprise, or a local and regional authority, in case of termination (asset lock)

Many of these criteria are understandable, but too wide and hard to operationalize and measure (especially in the very first years of the organization's existence). Also, as noticed by some researchers, without proper laws, new legal forms and special benefits designed to support the development of social enterprises, the Strategy and listed criteria remain merely a general orientation instead of a strategic tool (Šimleša, Bušljeta Tonković, & Puđak, 2016).

Maybe the most familiar legal form of social entrepreneurship existing in Croatia for the last 5 years are social cooperatives. Compared to traditional cooperatives, the main difference that social cooperatives bring to their mission is that they are not focused on the interest of their members or owners, but on the welfare of society or the community as a whole, or in particular on the needs of specific, vulnerable, or most fragile social groups (Defourny&Nayssens, 2013). In Croatia, social cooperatives comprise a small portion of the cooperative sector: with 49 entities (in 2016), they constitute only around 3.8% of the total number of cooperatives and half of them do not have a single employee (Vidović&Rakin, 20176). Croatian social cooperatives, even though oriented on the service sector, do not engage in the tourism sector (exploring reasons why might be a topic for a new piece of research), and many of them are initially created to seize favorable conditions and financial benefits from various public programs (e.g. veteran cooperatives). Therefore, as an example of a social enterprise in the field of tourism we take a look at Hedona Ltd as one of the rare enterprises that fulfils all of the criteria listed in the "Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015-2020".

Hedona Ltd Chocolaterie was founded in 2013 with the aim of providing work primarily for the disabled. It was founded by the Association of Disabled People Križevci and the main activity of the company is the production of chocolate and chocolate pralines (Hedona, 2018). According to the enterprises' founders, all the profits are reinvested back into the employees; into growing their

competences and their satisfaction and also into new job opportunities and the company's technological development, as well as the expansion of the company's activities. Chocolates, pralines and specific packaging with local motives, suitable for tourist souvenirs are available through their online web shop, as well as in a few shops in the region. From 6 employees in 2015, the enterprise grew to 18 employees in 2018, due to the new project: opening of the "Choco bar by Hedona" in Križevci. Although this enterprise is not directly oriented towards tourists, the innovative packaging and choco bar can be interesting elements of the tourist offer, appealing to foreign visitors to Križevci. Therefore, Hedona Ltd. is slowly exploiting vast potentials that the tourism sector offers. A small but symbolically significant portion of the 1.6 million investment in the "choco bar" was gathered through a crowdfunding campaign, which also contributed to the overall visibility of the enterprise and its social orientation. At the same time, the association that founded Hedona Ltd. is in constant search of donations, grants or other sources of funding to ensure the financing of new machinery and equipment to expand the production and employ new people. In the first two months from opening, the choco bar has had a significant number of clients. However, according to the profit and loss statement for Hedona Ltd, publicly available on the Annual Financial Reports Registry (Financial agency, 2018), the enterprise ended 2017 with a net loss of 14.016 EUR. This loss can be attributed to starting up a new and demanding investment project. Creating and orienting more products and services on tourists and visitors to Križevci, but also producing souvenirs for a larger market could increase sales and enable a financially more self-sustainable future for this social enterprise.

### 2.3. Socially responsible businesses in Croatian tourism

With respect to the thin line between a social enterprise and socially responsible business (shift towards profit-driven organizations), the authors will provide an example of a unique and innovative socially responsible business in Croatian tourism. It is Mon Perin Ltd., a successful tourism enterprise founded in Bale (Istria) with a unique ownership structure and strong local community commitment. This enterprise was founded as an innovative solution to the slow and unsustainable development of the municipality of Bale and inefficient management of its tourist attractions –

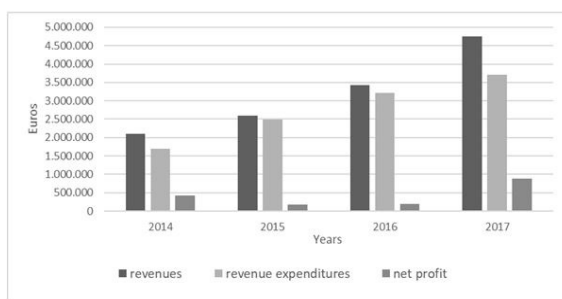
mainly two camps that were the property of municipality and under concession.

The idea behind founding Mon Perin Ltd. was to manage local tourism development in an entrepreneurial manner with including members of the local community.

From the beginning, the company had three categories of founders (Mon Perin, 2018a):

1. Locals as founders: the citizens of Bale who had the right to become partners in the Mon Perin company by making a deposit
2. Non-residents as founders: interested investors not conditioned by permanent residency in the municipality
3. Municipality as a founder: the Municipality of Bale also contributed to the founding of the company

The distinguishing characteristics of the social contract which was concluded with the establishment of Mon Perin consisted in the fact that, regardless of the distribution of shares, the categories of founders had different voting rights in decision making: the local founders and the municipality as a founder jointly hold 51 per cent of the votes, to ensure that the interests of the local community are put ahead of the interests of investors (Perić&Đurkin, 2014). Getting concession over the two camps was the first business decision of Mon Perin Ltd in 2005 and after an extensive investment cycle, those camps tripled the number of overnight stays. Throughout the last 10 years, the company has successfully retained this specific model of ownership and decision making, and every year invested the majority of the net income in the improvement of the quality of camps, opening new facilities, as well as community projects such as a spatial planning development study of the entire municipality with special emphasis on sustainable development and carrying capacity of the area (Mon Perin, 2018b).



**Figure 2** Overview of business income, business expenses and net profit from 2014 to 2017

Source: Adapted from Mon Perin, 2018b

Figure 2 provides evidence on successful management of Mon Perin Ltd. The average yearly net profit of the company for the last four years is around 400 000 EUR, while the number of employees (mostly local people) is currently around 110 during high season. Although the profit rate is not increasing exponentially, the important impact of expenditures on quality improvements, above-average salaries, environmental safety, development plans, etc. is visible not just through creating a recognizable destination, but also in the overall improvement of the standard of life of the residents of Bale. The municipality has doubled its budget compared to the period before establishing Mon Perin and the main income sources are land lease for camps (almost 20% of the entire budget), income tax and for local tourist board – the tourist tax (Perić&Đurkin, 2014). New income enabled a decrease in the surtax rate for residents, and the Municipality of Bale increased its number of residents by 5% from 2001 to 2011 (Croatian Bureau of Statistics, 2011).

One of the most ambitious future plans of the company is to transform the old part of Bale into a unique town-hotel (diffuse hotel), first of that kind in Croatia, and to involve the entire community in its management and running.

Innovatively combining profit-making from tourism development with socio-economic development of the local community can obviously be successful, but only in very particular contextual situations. The example of Mon Perin has been researched and presented as a best practice example in different parts of Croatia, but, so far, no enterprise like it was yet created. Favorable initial cooperation between Mon Perin and the local municipality, as well as the convenient existence of tourist infrastructure owned by local government (in case of Mon Perin it was land where camps were situated), are hard to replicate in a different environment. Still, the success of Mon Perin lights a beacon of hope for the future development of similar initiatives, but also evokes active change in local organizing practices and attitudes towards tourism.

#### 2.4. Corporations practicing social responsibility in Croatian tourism

When we switch our analysis from the mission driven part of the hybrid spectrum to organizations that are motivated by profit, it is important to describe LOHAS as potential motivation for for-profits to engage in socially and environmentally responsible activities. LOHAS (Lifestyles of

Health and Sustainability) is a market segment comprising individuals and businesses focused on the environment, a healthy lifestyle, sustainable living and social justice (Gill, 2014). The value of the LOHAS market in the USA alone was estimated at \$209 billion in 2008, and by 2011 it had grown to \$290 billion (Haigh & Hoffman, 2012). Even though this market is limited to a few developed countries, the trend itself (especially in tourism) has given rise to corporate social responsibility as a potential source of positive differentiation and competitive advantage (Dwyer, Ateljević, & Tomljenović, 2017).

In line with that, many companies providing a tourist offer in Croatia are continuously adding new socially and environmentally responsible practices into their business and use it in promotional materials and campaigns (Slivar&Golja, 2015).

For instance, hotels and restaurants buying from local suppliers, especially producers of organic or eco food can be considered as enterprises that practice social and environmental responsibility. On the other hand, this cooperation also increases the quality of the tourist offer and can be used in promotion as leverage in terms of attracting LOHAS and other market segments interested in local ingredients and gastronomy. There are several eco certificates that can be awarded to Croatian hotels, but high seasonality and lack of quality legal privileges for building and using an eco-friendly infrastructure have a strong influence on the total number of certified hotels, which is quite small. The Association of Employers in Croatian Hospitality awarded 21 Croatian hotels with the label “Sustainable hotel“, in *basic, superior* and *advance* category (Association of Employers in Croatian Hospitality, 2017). Each of the awarded hotels achieves great results in energy efficiency, waste recycling and adequate disposal, reduction of CO2 and GHG emissions, etc. Still, Croatia is not promoted or globally recognized as a sustainable or “green” destination and all the efforts of individual companies are important, but they unfortunately still do not have synergy.

An example of a large tourism company with strong environmental and social responsibility is Valamar Riviera as the leading tourism group in Croatia, encompassing 10 percent of the country’s categorized accommodation capacity (Valamar Riviera, 2018a). Valamar Riviera developed 9 umbrella programs of corporate social responsibility oriented towards employee development and training, destination development, investments in

the local community, helping those in need, preserving the environment, etc. In 2016, Valamar Riviera invested around 6 600 000 EUR, which is around 3.37% of the company’s total revenue, on programs listed in table 2 (Valamar Riviera, 2018b).

**Table 2** CSR programmes of Valamar Riviera

Enriching the Destination	Support to cultural, culinary, educational and entertainment events, projects and initiatives that improve the attractiveness and competitiveness of a destination and cultivate the local cultural identity and values.
Building Tourism Infrastructure	Systematic investments in beaches, walking and biking trails, access paths, playgrounds and other forms of improvement to the tourism infrastructure.
Excellence Through Knowledge	Project carried out in 2016 in cooperation with the Ministry of Tourism, awarding 198 scholarships for students pursuing careers in tourism and catering across Croatia. Valamar also provided those students with internships and employment once their education was completed.
ValamART	Supporting the creativity of national and foreign artists.
Promoting Sports	Organisation and/or sponsorship of a number of sports events in all of Valamar’s destinations. Most of the sports events are held in both pre-season and post-season, with an exceedingly positive effect on guest arrivals outside peak season.
Green Valamar	Energy efficiency projects and various environmental protection initiatives, in the context of everyday operations and awareness-raising activities among guests, employees and the local community about the importance of preserving the Adriatic coast and sea.
Our Retired Colleagues	Fostering long-term relations with retired employees, primarily as a gesture of gratitude, but also with the intent to include former colleagues and exchange experiences that could contribute to Valamar’s growth and development.
Little Tourism	Organised visits to hotels by kindergarten groups from Valamar’s destinations, so that the children could learn their first facts about vocations in the hospitality industry, but in a playful and entertaining way.
Valamar’s Big Heart	A framework for fundraisers, charity initiatives and projects intended to help those in need.

Source: Adapted from Valamar Riviera, 2018b

Without any intention to undermine the importance of the efforts of Valamar Riviera in the field of corporate social responsibility, and the positive impact they have on environment and society, it is

important to emphasize that most of the programs listed in the Table 2, apart from social/environmental sustainability, also ensure additional benefits to Valamar as a provider of tourist offer. For example, supporting the construction of additional tourism infrastructure and organization of cultural and sport events results in a broader tourist offer and better experience for tourists and visitors. Scholarships for students, education on the hospitality industry for children, along with the program "Our retired colleagues", are well developed tools for ensuring a future workforce as well as the exchange of best practices between experienced workers and young employees with more theoretical knowledge.


## Conclusions

The results of the discussion on hybrid spectrum typology applied to tourism reveal significant potential for developing socially and environmentally conscious organizations with strong economic sustainability. Unique examples from the Croatian tourism sector underlines the necessity of introducing more sustainable business models in this financially lucrative economic sector. Some of the examples reveal the complex nature of hybridization and underline the essential importance of specific context, legal framework and unique opportunities that affect making decisions on strategic organizational choices and defining the hybrid nature itself. Achieving synergy between economic and social goals by transferring economic benefits achieved through a tourism-oriented offer to social missions is a challenging strategic task. Hybrid spectrum typology can help shed more light on categorizing organizations according to their mission and profit status, but apart from the theoretical framework, more research is needed on the hybridization process in practice in modern organizations.

The discussion on the implementation and issues surrounding hybrid organizations is important in terms of practitioners as well as academia. The strategic implications of choosing to mix social and economic goals are broad and it is important to understand the crucial role of legal and institutional contexts. Even though it was not designed to be quantitative empirical research with rigorous methodology and a carefully selected representative sample, this paper offered some important insights and indicated a potential for future research. Conclusions are in favor of developing hybrid organizations in the tourism sector, but, similar to other types of economic activi-

ty: mission-driven hybrid organizations struggle with financial self-sustainability while profit-driven organizations rarely exhibit activities that are not at the same time useful in raising their financial figures. The role of the specific contexts of national legislation and favorable opportunities can determine whether hybrid organization shall succeed or fail, but also decide if an organization is a true hybrid by choice, or hybrid by chance, due to other factors.

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# Organizational Effectiveness in Bosnia and Herzegovina: A Competing Values Approach

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## Abstract

Many different measures of organizational effectiveness have been proposed and one, widely used, based on Quinn's competing value framework, was applied in various national contexts. The competing values framework describes organizational effectiveness as paradoxical and contradictory by nature and in terms of seemingly mutually exclusive value dimensions, such as flexibility versus control and internal focus versus external focus. The competing values framework was broadly employed to examine various organizational phenomena, such as leadership, organizational commitment, organizational culture and decision making, and thus providing universal metric for trans-organizational analyses for different levels. This study presents the research results of 150 managers' perceptions of effectiveness of Bosnia and Herzegovina's organizations according to competing values approach. Multidimensional scaling was employed. It provides qualified support to structure of the competing values framework and shows that seemingly opposite organizational effectiveness models really coexist and can be effectively managed to accomplish and fulfil planned organizational goals.

## Keywords

Organizational effectiveness, competing values framework, value dimensions, multidimensional scaling analysis.

## Introduction

Since the early days of industrialization, the organizational effectiveness has been central subject in many organizational researches. The importance of the organizational effectiveness can be reflected in the fact that "organizational effectiveness is the ultimate question in any form of organizational analysis." (Hall, 1980, p. 536). At first, following machine analogy of organizations, the organizational effectiveness referred substantially to efficiency. However, the changes of the organizational concepts have changed, understanding efficiency as effectiveness.

In the recent period, broadly organizational effectiveness concepts and development of the variety of organizational effectiveness models have been revealed. Many definitions of the term organizational effectiveness have been characterized

by tautologies, advice and contradictories. Complexity in understanding organizational effectiveness varies from simple definition that "an activity is considered to be effective if achieves specific objectively defined goal" (Barnard, 1938, p. 20) to understanding that effectiveness is not only an abstract term in pure science, but rather a precise focus and concept in the applied science. The level of complexity of the organizational effectiveness research is higher due to including complexity issues such as dynamic nature of the organizational goals so organizational analyses become comparative by nature not scientifically based. Some authors believe that organizational effectiveness is a value concept and that there is an unlimited number of organizational effectiveness models because of the unlimited number of values. Complexity of the organizational effec-

tiveness is present due to the fact that organizational effectiveness concept is not unique. Organizational effectiveness is regarded as „society construct and abstract term placed in mind of the organizational theorists and researchers” (Quinn & Rohrbaugh, 1983, p. 374). Many issues about organizational effectiveness assessment include the fact that organizational effectiveness represents something that stakeholders believe it represents. There are many different approaches to defining and measuring organizational effectiveness. The competing values approach as comprehensive and dynamic approach is discussed in this study.

However, Quinn’s competing values framework for organizational effectiveness was not empirically tested in Bosnia and Herzegovina context. Until date, basic assumptions of the competing values framework used to describe organizational effectiveness have not been fully validated. Specially, there has been no published research examining validity and reliability of the competing values framework for measuring organizational effectiveness when used in case of Bosnia and Herzegovina’s organizations. This study aims to fill this important gap in the literature by presenting the results of a survey of the 150 managers of the Bosnia and Herzegovina’s organizations who participated in survey on organizational effectiveness observed through value dimensions represented in competing values approach. This study is exploratory by nature and it proceeds by way of following hypothesis: The inter correlations of the organizational effectiveness items can be represented in a two-dimensional multidimensional scaling representation that strictly satisfies the competing values framework in case of Bosnia and Herzegovina.

The purpose of the study was to employ competing values framework instrument in the different economic context such as Bosnia and Herzegovina and to establish the psychometric characteristics of the instrument in this national context. Competing values instrument was used to evaluate organizational effectiveness. Reliability and correlation analysis were performed in order to establish internal consistency of different models of organizational effectiveness and their inter correlation. Finally, multidimensional scaling analysis is employed to test the consistency of empirical results and theory of organizational effectiveness in observed national context. Results showed that competing values framework instrument for measuring organizational effectiveness seems to be a useful measure that gave valuable

information about Bosnia and Herzegovina’s organizational profiles and its effectiveness.

In the first part of the study, literature review of the competing values approach application is presented, which suggests that the competing values approach is a valuable way of operationalization of organizational effectiveness in various developed economies. Next, the methodology used in this study is presented, followed by the details of the data analysis and obtained results. The results suggest that the competing values approach to organizational effectiveness is both valid and reliable in the Bosnia and Herzegovina context. In addition, some implications for the managers of the Bosnia and Herzegovina’s organizations are discussed.

## 1. Literature review

Organizational effectiveness is one of the bases of management and organization theory and practice. It represents the very centre of all organization theory and is becoming the main theme in organizational sustainability (Young & Tilley, 2006). The increasing need to assess the effectiveness is present not only at individual but also on organizational level. Organization can be perceived as organic system which develops certain types of systems, processes and conducts, with aim to fulfil the objectives. If it aims to be perceived as effective, organization has to coordinate individuals, business strategies and systems with competence development (Andreadis, 2009).

### 1.1. Organizational effectiveness as phenomenon

Some authors believe that organizational effectiveness represents the useful measure of the organizational goals and missions (Jamrog & Overholt, 2004). Modern business environment has the high level of dynamism and uncertainty. The uncertainty dimension reflects to ambiguous and complex environmental conditions that influence business decisions. The dynamism dimension of the environment reflects to the intensity and frequency of changes in external environment. The environmental changes can put certain amount of pressure on the organizations and their capability to adapt their business strategies to satisfy changed environmental conditions (Morris et. al., 2005; Schneider & Spieth, 2013). Individuals and organizations have to simultaneously understand and adapt to changing environmental conditions. Many organizations fail because of their inability

to change and adapt organizational processes and systems to the environmental conditions. Organizational processes and systems have to function in a way that they encourages individuals to make themselves evaluations and judgments in adapting to changing environments (Tushman & O'Reilly, 1996). Employees have the central role in organizational effectiveness. Including employees in organizational process can provide productivity and effectiveness through enhancement of the solving problems and making right decisions (Sundaray, 2011). Organizational effectiveness can be perceived as multidimensional and multivariate construct that explains various organizational domains of activities (Cameron & Freeman, 1991). The emphasized dimension of goal orientation and process emerges from measuring organizational effectiveness (Lemieux-Charles et. al., 2003). Organizational effectiveness can be negatively related to goal ambiguity (Chun & Rainy, 2005) and those organizations that had precise objectives had higher performance. Also, if employees perceive strategic planning as important, then they have clear understanding in their work duties in organization. Further, leaders have important role in achieving organizational effectiveness. Leaders have to be more adaptable and emphatic toward employees in order for an organization to be effective. Consistency with mission and vision is important for an organization to be effective and to adapt and respond to all types of pressure coming from business environment (Fey & Denison, 2003).

Some studies investigated the relationship between organizational effectiveness and culture (Cameron & Freeman, 1991). It is concluded that culture values are the significant part of the external business environment that have influence on the organizational performance. In order to achieve organizational effectiveness as a whole, productivity as a part of organizational effectiveness especially related to employees has to be investigated. Organizational capability to convert knowledge and technologies aligned with environment conditions and market demands enable organizational effectiveness. Furthermore, organizational effectiveness depends on organizational ability to overcome all obstacles and adapt to changing environment (Chermack et. al., 2010).

The important characteristics of organizational effectiveness are efficiency and adaptation. Efficiency of internal processes and adaptation and responsiveness to external conditions and opportunities jointly influence organizational success

(Yukl & Lepsinger, 2004). Efficiency presents the extent to which the organization is willing to minimize its costs in order to provide basic functioning. Also, efficiency is influenced by the amount of which work processes are conducted without delays and errors. The main determinants of efficiency are percentage of revenue which presents costs, costs compared to those for competing business and productivity of employees compared to labour costs. Many studies confirm that reduction of these costs and elimination or minimizing of errors, accidents and delays lead to improvement of organizational performance (Ebben & Johnson, 2005; Key et. al., 2005). Reducing labour costs, outsourcings work activities, minimizing costs of energy and materials and excess inventory, and redesigning organizational processes represent ways of improving organizational efficiency. Efficiency improving is much easier in stable rather than in dynamic business environment where conditions are constantly changing. There are many difficulties facing organizational efficiency accomplishment when there are constraints on the minimizing or reduction of cost such as safety regulations and quality standards that have to be fulfilled, short life cycles of certain materials or energy, obligatory rules for minimum salaries and employment guaranties, etc. When a firm has a business strategy that comprises of supplying products and services at lower prices compared to competition, efficiency becomes a very important factor for organizational success. Importance of efficiency is emphasized for organizations that have few large clients who demand reduction of costs but it becomes less important when organizations can continue to have high costs due to increasing prices of products and services.

Organizational effectiveness also depends on the capability of an organization to adapt to changes in the external environment. Organizational capabilities to change aligned with environment changes imply increases in market share and sales and building and maintaining loyalty and satisfaction of its clients. In order to successfully adapt to environment dynamics, organizations have to have precise, accurate and forehand information about changes and opportunities in business environment. Adaptation capability is pronounced and developed through organizational learning according to how an organization is prepared to effectively respond to changes and opportunities that the organization faces. Organization adaptation often requires innovative changes

facilitated by creativity, flexibility and quality of product (Baer & Frese, 2003). There is lower possibility that organization adaptation will be successful when the management is unwilling to change business strategies which were previously confirmed to be successful but are not any more appropriate in a changed business environment. Sometimes the management strongly believes that there is nothing else that can be learned from competitors which interfere with successful organization adaptation aligned with changing business environment (Finklestein, 2003). Without detail risk analysis and capabilities analysis there is a danger that some responses to threats and business opportunities can lead to unsuccessful organizational performance if they are based only on management instincts (Finklestein, 2003). In today's economy based on knowledge, where uniqueness is the essential competitive condition for sustainable performance and above-average success, innovation changes and adaptation is a very important key for satisfaction of continuously changing market demands. When competition is low, organizations are not under enormous pressure to adapt and quickly respond to customer wants and needs by improving customer service and product quality.

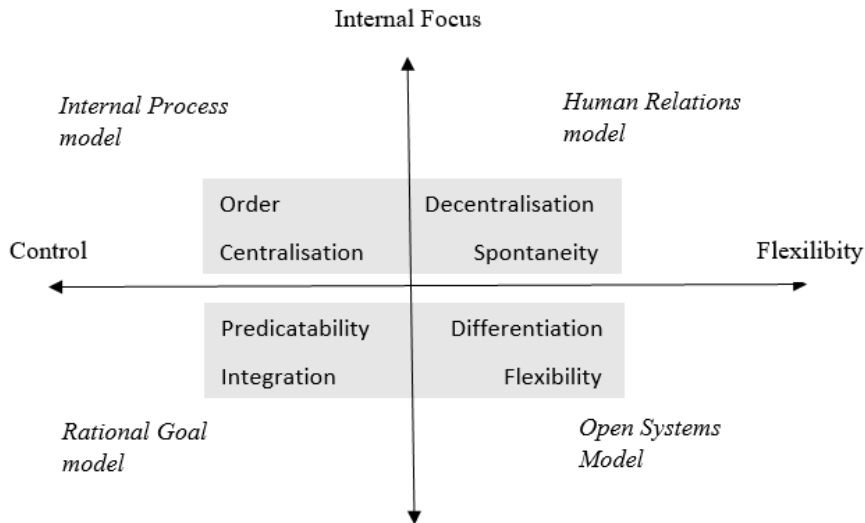
Internationalization of business activities, globalization processes and information-communication technologies lead to increasing the need to establish and further develop organizational capabilities to adapt and quickly change align with environmental changes and threats and to incorporate in everyday organizational functioning a systematic monitoring mechanism of external environment and detecting potential dangerous and opportunities that could affect business activities.

## 1.2. The competing values framework

Quinn and Rohrbaugh determined the competing values framework while exploring potential relations among the notions of organizational effectiveness (Quinn & Rohrbaugh, 1983). The respondents were asked to assess existence of similarities among various indicators of organizational effectiveness and then performed data analysis by

multidimensional scaling technique. An organization can be characterized as a dynamic and contradictory system with its manager obligated to accomplish competing objectives. One can identify four organizational effectiveness models that reflect the presence, in a certain amount, of the dimensions of competitive values. The two primary dimensions reflected preference toward either control or flexibility and internal versus external focus. By crossing these two dimensions at their centres, four distinctive organizational effectiveness models emerged. Each of these four models has their own particular goals and objectives or special processes for objective accomplishments. Also, beside these two dimensions there exist third dimension means-ends. Every organizational effectiveness model has these values and some of them appear to be mutually exclusive. Competing values framework (CVF) of organizational effectiveness is depicted in Figure 1.

Organizational effectiveness models in CVF vary along two dimensions in terms of the extent to which they favour flexibility over control and internal over external focus (Quinn, 1988). The human relations model of organizational effectiveness (HR) characterizes favour of flexibility and internal organizational focus. It emphasizes employee commitment and highly values human resources, training, cohesion and employee morale. The open systems model of organizational effectiveness (OS) characterizes favour of flexibility and external organizational focus. It is focused on capabilities to expand and adapt to external environment conditions and highly emphasizes growth, readiness, acquisition of resources, external support and adaptability. The internal process model of organizational effectiveness (IP) is oriented to control and has internal organizational focus. It favours consolidation and continuity and emphasizes information and communication management and stability. The rational goal model of organizational effectiveness (RG) has external organizational focus and orientation toward control. Its objective is to maximize output and achieve efficiency, productivity, planning and defining goals.



**Figure 1** Taxonomy of the organizational effectiveness defined by competing values framework  
Source: Adapted from Quinn, 1988

HR organizational effectiveness model does not share any common values with RG organizational effectiveness model. They are polarly opposite to each other and diagonally located in spatial two-dimensional visual representation as shown in Figure 1. Similarly, IP organizational effectiveness model and OS organizational effectiveness model are polarly opposite to each other. Also, adjacent organizational effectiveness models are significant to be considered. Value dimension flexibility is shared among HR and OS organizational effectiveness models. On the other hand, control orientation is common for RG and IP organizational effectiveness models. OS and RG organizational effectiveness models have external focus as common value dimension, while IP and HR organizational effectiveness model share internal focus as common value dimension.

The competing values framework named organizational effectiveness construct as competing values construct because of its paradoxical, conflicting and contradictory nature (Quinn, 1988). Although some organizational effectiveness models are located opposite to each other in two-dimensional visual representation, many organizations can be simultaneously adaptable and flexible and also controlled. At the same time, organizations can have emphasized on validation of human resources and accomplishment of efficiency and productivity

(Quinn, 1988). Organizations may want to acquire resources, growth and have external support, but also to establish formal communication and close information management. Simultaneously, organization can emphasize human resources.

This competing values organizational effectiveness construct does not imply that opposite organizational effectiveness models cannot exist at the same time in one organization. These models do not exclude the simultaneous existence of each other in organization. They are perceived to be mutually exclusive because they are based on assumptions according to which they can be regarded as opposite models. Quinn recommends the establishment of balance between all four organizational effectiveness models presented in competing values framework even though these models emphasize contradictory and conflicting goals and objectives. It is suggested that caution is necessary because organizational effectiveness models at the extremes are more probably to be dysfunctional.

### 1.3. Universal nature of the competing values framework

The competing values framework was partially developed to bring clarity in effectiveness. According to CVF, organization is seen as paradoxical and this approach suggests that achieving high performance requires an organization and its top-managers to simultaneously perform contradictory

and paradoxical roles and capabilities. The CVF of organizational effectiveness consists of three fundamental paradoxes known in the literature: flexibility versus stability orientation; internal versus external organizational focus; and means versus ends (Quinn & Rohrbaugh, 1983; Quinn, 1988; Hart & Quinn, 1993).

At first, the competing values framework is used to indicate taxonomy of organizational effectiveness. There are studies testing the validity of the Quinn's original competing value framework which offer some support for the proposed model (Buenger et. al., 1996; Kalliath et. al., 1999). In further research, this framework is used to explain various concepts such as organizational transitions, organizational decision making, organization communications, and CEO leadership. Furthermore, it has been applied to show how certain values dimensions of organization can be affected by its belonging to different types of industry and differences between public and private ownership. Application of the competing values framework allowed to examine organizational ethics, and more broadly in explaining organizational culture, where existence of varieties was due to differences in organizational performance and quality of work life perception.

Universal application of the competing values framework is confirmed by many obtained empirical results from other research that supported the two-dimensional model indirectly. For instance, there is a study that has used four quadrant structure of the competing values framework to examine CEO leadership in the public sector. Several organizational phenomena were described using competing values framework such as: organizational commitment, human resource management, military leadership, gender in management, and leadership of orchestras.

## 2. Research methodology

Competing values instrument (CVI) was used to evaluate organizational effectiveness. The main purpose of the CVI is to measure perception of the respondents of their organizational conditions and environment. In this way, certain organizational profile consistent with the competing values framework is generated. CVI contains 16 statements among each of them represent certain values that are characteristic for one of the four models proposed by competing values framework. These models are as follows:

- HR – hr1 (participation and open discussion), hr2 (employee concerns and ideas), hr3 (moral and cohesion) and hr4 (commitment and loyalty);
- OS – os1 (innovation and change), os2 (creative problem solving), os3 (decentralization) and os4 (new ideas)
- RG – rg1 (outcome excellence and quality), rg2 (getting the job done), rg3 (goal achievement) and rg4 (doing one's best) and
- IP – ip1 (predictable outcomes), ip2 (stability and continuity), ip3 (order) and ip4 (dependability and reliability).

Respondents had to indicate to which extent they agree with level of application of each statement in their organization, on a seven-point Likert scale, from 1 meaning "very strongly disagree" to 7 meaning "very strongly agree".

The CVI was administered by personal paper-and-pencil and online survey questionnaire designed to investigate presence of certain models of organizational effectiveness and validate the competing values framework in specific organizational settings in transition countries. The sample comprised 150 respondents to the survey who were executives working as middle and senior managers or owners of the business. At the time of the survey, the majority (88 per cent) were working in micro, small and medium organizations (<250 employees) and working in the service sector (62 per cent). There were no systematic variations in the sample demographic and organizational variables of practical significance.

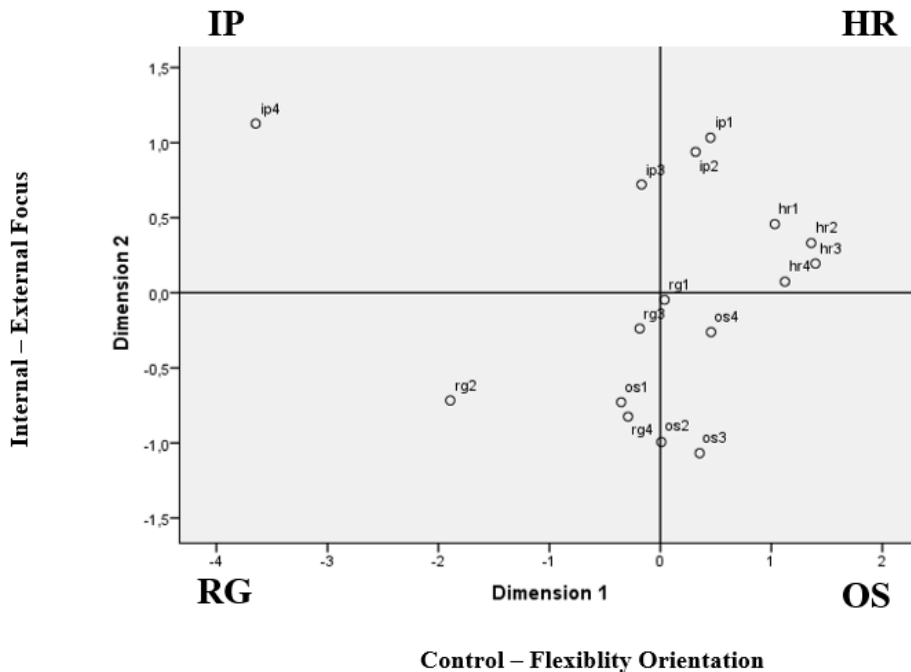
The obtained data were analyzed using the Statistical Package for the Social Sciences (SPSS), release 7.5.1. Nonmetric multidimensional scaling (MDS) was employed. This analysis operates on the dissimilarities among data points. MDS provides graphic representations of the variables according to these dissimilarities in a certain number of dimensions as data suggests. As a MDS product it is spatial representation of the distances among data. MDS has been proven as effective protocol for empirically determining taxonomies through identification and modelling the structure and dimensions of a set of data. Many researchers apply this tool for studies involving the competing values framework.

### 3. Results and Discussion

If the obtained MDS results are compatible with those expected by competing values framework, as shown in Figure 1, then human relations model’s items (hr1, hr2, hr3 and hr4) should appear together in one quadrant while rational goal model’s items (rg1, rg2, rg3 and rg4) should appear in quadrant that is diagonally opposite because these models do not share same values. The same situation applies to internal process model and open systems model. Internal process model’s

items (ip1, ip2, ip3 and ip4) should appear together in one quadrant while open systems model’s items (os1, os2, os3 and os4) should appear together in the quadrant adjacent to the rational goal model and diagonally opposite the quadrant that contains open systems model’s items (os1, os2, os3 and os4).

Results of the multidimensional scaling for the 16 statements that constitute instrument for measuring competing value framework in Bosnia and Herzegovina’s context are shown in Figure 2.



**Figure 2** Multidimensional scaling – derived stimulus configuration for competing values scale (Euclidean distance model)  
Source: Author

It can be concluded that these statements of the organizational effectiveness models generally conform to the competing values framework. The majority of them appear in the expected quadrants. The position of a certain number of statements is not in accordance with the proposed positions in expected quadrants but still they have certain values characteristic of those from expected quadrants. The appearance of the items ip1 and ip2 in human relation model's quadrant, item rg1 in open systems model's quadrant and item os1 in rational goal model's quadrant represent a departure from the competing values framework. Nevertheless, their new positions are still consistent with the theory because human relation model and internal process model quadrants still share

emphasis on internal focus, while the human relations model and open system model quadrants share emphasis on flexibility. The rational goal model and open systems model quadrants share emphasis on an external focus. Items ip1 and ip2 are in the human relations model's quadrant but they are still very much at the expected internal end. Item os1 is in rational goal model's quadrant but it is still toward expected external end. Item rg1 does not have pronounced any values dimension.

In Table 1, descriptive statistics are shown for all four organizational effectiveness models from competing values framework and for overall scale of organizational effectiveness. Reliability of subscales and overall scale was established. The coef-

ficient Cronbach's alpha for testing reliability of scales is used. Its value for the competing values scale as a whole was 0.916. The Cronbach's alpha reliabilities for each of the subscale measuring four organizational effectiveness models indicate that reliabilities are quite acceptable, values between 0.788 and 0.921, and represent "satisfactory

to good" reliability levels (Hair et. al., 2017b, p. 112). The results of the MDS and reliability analysis indicate the measurement instrument of the competing values framework has construct validity and it can be seen as reliable measure of the competing values framework.

**Table 1** Reliability, mean scores, standard deviations and correlations for the organizational effectiveness model in competing values framework

	Cronbach's alpha	Mean score	SD	Human relations	Internal process	Rational goal	Open systems
Human relations	,921	5,7783	1,17850				
Internal process	,788	5,3733	1,04582	,400**			
Rational goal	,818	5,2383	,98280	,409**	,481**		
Open systems	,878	5,2850	1,18507	,707**	,470**	,578**	
Total scale score	,916	5,4188	,87535	,810**	,727**	,758**	,879**

Note: All significant at  $p < 0.01$  (two-tailed)

Source: Author

Correlations between each of the organizational effectiveness models and with the total scale score of the competing values framework are all positive as shown in Table 1. Also, it can be seen that mainly organizational effectiveness models that share common values have higher correlations in comparison to organizational effectiveness models which are in the quadrant diagonally opposite. However, obtained results can be considered counterintuitive having in mind that they are measures of the competing values. As suggested by Quinn (1988), all four organizational effectiveness models coexist in every organization, with certain values more pronounced than others, and so the subscales of each organizational effectiveness model measure the extent to which every approach to effectiveness is present in or-

ganization. Competing values instrument measures the perception of the managers of the overall intensity of the organizational effectiveness. Obtained results cannot be considered inconsistent with the theory or with results of MDS.

The horizontal axis supports a control versus flexibility interpretation. Item hr3 demonstrates the highest positive weight (1.3978) on the dimension, while item ip4 produces the highest negative weight (-3.6467), and visually they are most distal. The vertical axis supports an interpretation as internal versus external focus. The defining values for item os3 (weight -1.068) represent a focus on flexibility and external adaptation versus values for item ip4 (weight 1.1264), which focus on control and internal integration.

**Table 2** Multidimensional Scaling Stimulus Coordinates

		Dimension	
Stimulus	Plot symbol	1 (Control-Flexibility orientation)	2 (Internal-External focus)
1	hr1	1.0314	0.4574
2	hr2	1.3598	0.3313
3	hr3	1.3978	0.1947
4	hr4	1.1224	0.0744
5	ip1	0.4514	1.033
6	ip2	0.3174	0.9385
7	ip3	-0.1694	0.7216
8	ip4	-3.6467	1.1264



9	rg1	0.0381	-0.0463
10	rg2	-1.8931	-0.7169
11	rg3	-0.1862	-0.2381
12	rg4	-0.2905	-0.8246
13	os1	-0.3524	-0.7282
14	os2	0.0093	-0.9937
15	os3	0.354	-1.068
16	os4	0.4567	-0.2616

Source: Author

The MDS bidimensional model presents not so good but acceptable goodness-of-fit. Stress value was equal to 0.18 which is considered fair fit (Kruskal, 1964). R-squared represents the squared correlation coefficient between the estimated distances and the observed distances between data points and is analogous to the R-squared in multiple regression. An R-square of 0.6 is considered the minimum acceptable level (Hair et. al, 1998). An R-square of 0.8 is considered good for metric scaling and 0.9 is considered good for non-metric scaling. MDS results have R-squared correlation .90686 which is acceptable.

## Conclusion

The aim of this study is to examine the psychometric properties of the instrument of the competing values framework for measuring organizational effectiveness (Quinn, 1988) in the Bosnia and Herzegovina organizational context. The findings show that the examined instrument is both a valid and reliable measure. As a consequence, the research results suggest that competing values framework is valuable as a approach to operationalize organizational effectiveness, when the competing values framework is applied in a various national contexts. According to the author's knowledge, this study represents the first attempt to validate competing values framework used for measuring organizational effectiveness in Bosnia and Herzegovina as a representation of transition, factor-driven economy with lower level of economic development. Even though differences in level of economic development exist, results of MDS suggest that Bosnia and Herzegovina share similar value sets as some developed economies (Howard, 1998; Lamond, 2003).

As the respondents constitute a random, representative sample of managers and their organizations, these results suggest vague insight for Bosnia and Herzegovina's organizations. Employing competing values instrument for measuring organ-

izational effectiveness, Bosnia and Herzegovina's organizations are now in a situation to detect the extent to which their value systems are consistent with competing values paradigm, identify the objects that disable them from operating according to organizations effectiveness models, and define the certain types of practices and policies consistent with dominant and emphasized values in organizations to produces better goals and fulfil expectations of their stakeholders.

One of the limitations of the presented study is that there can be cases that the measure of the intensity of the organizational effectiveness varies systematically according to the different managerial roles that respondents had at time when survey is conducted. Also, the fact has to be considered that the data are self-report from individual questionnaires. For example, some managers that are more familiar with internal process like human resource management and accounting are detecting internal values easily, while managers with job descriptions more similar to external focus like marketing or strategic management are more probably to detect first certain external values. Even though there is no detected existence of systematic variations of this type in presented results, its potential existence cannot be discarded and some further studies need to be aware of it.

Also, relatively small person-samples may pose limitations on inferences drawn based on the research. Only 150 respondents filled the questionnaire giving answer onto 16 statements, for instance, rules out the factor analysis. The sample size is big enough for conducting multidimensional scaling (Rodgers, 1991). Better understanding and more objective results of the strength of each value dimension in specific organization and domination of the certain organizational effectiveness model upon other models would be provided by interviews several managers per organization. **SM**

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# The Use of E-mail Marketing in Accordance With Permission Marketing Approach in Promotion of a Study Program

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## Abstract

The use of e-mails for promotion has been in place for decades. A large number of e-mails received by consumers and potential consumers are not requested by them and in most cases do not provide adequate value for them. In that sense, the permission marketing approach brings in multiple novelties. The sender of the promotional message strives at all stages of the relationship with potential and current consumers to obtain permission to communicate with them and to communicate the appropriate value. Within these phases – attract, convert, close and delight – e-mail marketing takes a significant place. The use of this approach is possible and desirable when higher education institutions are concerned as well. In this paper, several goals are set. First of all, it points to the specific features of permission marketing, the phases of its implementation, and various instruments that are adequate for applications in different phases. Thereafter, general recommendations for the promotion of higher education institutions in accordance with that approach, with special emphasis on email marketing, are provided. Finally, an example of promotion with using the e-mail and referring to the selected study program of the domestic higher education institution, precisely in accordance with the permission marketing approach, was presented.

## Keywords

Permission marketing, e-mail marketing, promotion, higher education institutions, study program.

## Introduction

Although the use of e-mails for promotion has been in place for decades, a large number of e-mails received by consumers and potential consumers are not requested by them and in most cases do not provide adequate value for them. With regard to the above mentioned situation, the permission marketing approach brings in multiple novelties reflecting primarily in the fact that the sender of the promotional message strives at all stages of the relationship with potential and current consumers to obtain permission to communi-

cate with them and to communicate the appropriate value. Within these phases – attract, convert, close and delight – e-mail marketing takes a significant place. The use of this approach is possible and desirable when higher education institutions are concerned as well.

Bearing the above in mind, several goals are set in this paper:

- point to the specific features of permission marketing, the phases of its implementation, and various instruments that are adequate for applications in different phases,

- provide general recommendations for the promotion of higher education institutions in accordance with that approach, with special emphasis on email marketing,
- present an example of promotion using e-mail and referring to the selected study program of the domestic higher education institution, precisely in accordance with the permission marketing approach.

In addition to the overview of relevant secondary sources, the paper also presents an example from domestic practice.

## 1. Permission marketing

The foundations of permission marketing can be identified in the work of Seth Godin, who published *Permission Marketing: Turning Strangers into Friends and Friends into Customers* Hardcover in 1999. In his book, he points to the increasing lack of attention of the target auditorium in mass media action, enormous growth of costs to attract this attention, but also a certain degree of failure of such attempts. It is such promotion, which he terms interruption marketing, that he contrasts to permission marketing.

The author explains the difference through a figurative story about how it is possible to get married in two ways. The first way suits marketers who use interruption marketing. Such a marketer buys the most expensive clothes, new shoes, the most fashionable accessories, and then, based on the best databases and marketing strategies, chooses a demographically ideal singles bar. In this bar, he approaches the nearest person and proposes marriage, and if he gets rejected, he repeats this process with every person in the bar. Having spent the whole evening in the bar without anyone consenting, it seems obvious to him that the suit and the shoes are to blame. Both the tailor and the strategist get dismissed. Then the marketer repeats his attempts, but at another singles bar. On the other hand, the marketer who uses permission marketing opts for dating. He goes on a date, and if it goes down well, they go to the next one, and the next. After a dozen dates, both sides can really communicate their needs and wishes, then sometime around the twentieth date, their family members meet, and finally, after three or four months, the marketer proposes marriage.

It is clear from the above story that acting in the case of permission marketing approach is significantly different. The author separates the process into five steps:

1. offer the potential consumer reasons for paying attention – from information, through entertainment and contests, even down to payment – the incentive must be open, obvious and delivered clearly;
2. inform the potential customer about the product, that is, its advantages;
3. intensify incentives, which is facilitated by the existence of bilateral dialogue;
4. increase the level of permission that the seller receives from the potential customer, e.g. gathering more data about the customer's private life, hobbies or interest; offer new product category or its samples;
5. use the permission in a win-win situation.

Krishnamurthy (2001) gives a conceptual framework for cost and benefit analysis related to customer experience in permission marketing programs. The customers' interest is viewed as the key variable affecting the participation level. On the other hand, the customer experience itself is positively determined by the significance of the message and monetary benefits, and negatively by the forfeit for receiving/modifying information, for processing and privacy issues.

Tezinde, Smith and Murphy (2002) conclude that customer response to a campaign devised in accordance with permission marketing is affected by: relevance—personalization, brand equity, and previous relationships. The influence of demographic variables showed itself as weak, and the existence of interaction between independent variables was not established either.

Shukla (2010) identifies spread velocity, hits/download, attitudinal shift, believability, public relations, data capture, penetration level, turnout, shock level, reachability, awareness and campaign persistence as key parameters for developing an effective viral and permission-based internet campaign.

Opreana and Vinerean (2015) point to the significance of this approach in the conditions of prominent presence of electronic business, terming it inbound marketing. Comparing such digital marketing with traditional marketing, they identify interactivity and engagement. They define it as “the process of reaching and converting qualified consumers by creating and pursuing organic tactics in online settings”. Within this approach, they identify 4 components: brand-focused marketing communication, marketing content, social media marketing and search engine optimization.

Presenting the elements of this approach on behalf of Hubspot company, which rates among the world's most prominent in software generated based on it, Bernazzani (2018) points out that one undergoes the attract, convert, close, delight phases evolving from stranger, through visitor, potential customer and customer all the way to promoter. Whereas the roles of blogs, landing pages and internet sites are more significant fore-mail gathering in the first phases, they can even be gathered through social networks, while e-mails gain importance in later phases.

## **2. E-mail marketing within the promotion of higher education institutions in accordance with permission marketing approach**

The above mentioned company, Hubspot, issued two sets of guidelines (Nicholson, 2016; Hubspot, n.d.) about how to use e-mail marketing within promotion of educational institutions in accordance with permission marketing approach. At this point, recommendations found in those two sources are sublimated. In addition, certain recommendations adapted to domestic condition are given.

As far as the promotion of a certain study program is concerned, it is first necessary to consider the entirety of communications conducted by the institution where this program is realised. In this sense, it is extremely important to know, understand and apply the concept of integrated marketing communications, pointing to the need of sending a consistent promotional message through all communication channels, where synergetic effects are achieved owing to the existence of several channels through the message is transmitted. The implications of the above can be multiple. On the one hand, the promotion of the study program becomes the part of promotion of the institution and another manner of transmitting promotional messages pertaining to it and its offer. On the other hand, the promotion of the study program itself should send a consistent message through several media and achieve synergetic effects, that is, feature as integrated communications.

The first phase of conducting e-mail marketing campaign includes attracting potential customers to leave their e-mail addresses through which communication with them can be achieved. In the specific example of study program promotion, it is possible, as it were, to perform this gathering in two ways: one is offline, and the other is online

approach. An example of the former can be visits by appropriate teams consisting of teaching staff and/or students to schools, where they would give presentations and gather e-mail addresses from the interested secondary school students, as well as permissions to communicate with them in this manner. This approach would also include visits of the interested candidates on open-door days, certain free lectures at secondary schools, etc. The latter aspect refers to online contents that can be offered on site about the study program, including certain blogs, Facebook profiles etc, where e-mail addresses could also be collected.

The key question in this phase is what the contents that should be presented to potential customers are. On the one hand, as an utterly ethical approach, it would be necessary to promote the study program and the institution explicitly. However, one must bear in mind that a future student does not buy only that. In addition to the contents and characteristics of the study program and higher education institution, as well as contents closely related to them, such as employment opportunities, earnings of the alumni, recognition of the diploma abroad, one must also consider all other characteristics of life that the potential student will have. This includes sightseeing of the city, social life, down to particular technical details. On the other hand, through the study program, students must fulfill their wish to acquire knowledge in particular areas, so that the offer of contents related to this knowledge is another desirable segment of the appeal phase.

A special aspect for consideration is to whom all the above mentioned should be addressed. In this sense, different roles in the purchase process should be taken into account. Although the students are undeniably defined "consumers" of the study program, it can be assumed that the persons of influence, among others, include their parents. In connection with this, it is particularly important to consider carefully whether a certain campaign should be targeted at them, which appeals should be used, and how all the elements should be integrated.

In the recommendations given by Hubspot, the following phases are mentioned:

- awareness (when future students or their parents become aware of their need and/or desire for an institution of the kind that is being promoted, that is, for a similar type of education),

- consideration (when the potential student or his/her parent has clearly defined the problem), and
- decision (when the potential student or his/her parent has made a decision on the strategy, method, and approach to solving the problem and strives to focus their choice).

Various educational resources are recommended in the first phase:

- blogs and articles,
- free instructions,
- video footage,
- checklists,
- posts on social networks.

The recommended approach for the second phase is to provide detailed information on the institution and the way it can resolve the students' challenges and enhance the opportunities. What is recommended is distribution of:

- webinars,
- virtual tours,
- career advice,
- profiles of current students and alumni.

In the third phase, it is recommendable to distribute:

- schedules of important dates,
- scheduling appointments through websites,
- consulting sessions with professors.

Following the above described "customer track", certain time-related recommendations are given across individual phases. For instance, the following is recommended in the awareness phase:

- 2 years before enrolment, distributing materials about what is assessed or examined at the entrance exam, so that candidates can have time to prepare,
- 1 year before enrolment, offering the opportunity for asking questions and receiving answers from current students.

In the consideration phase, the recommendations are:

- 6 months before enrolment – sending important dates,
- 1 month before enrolment – schedules of possible consulting sessions about entrance exams.

In the decision phase, it is recommended to:

- send a reminder e-mail 1-2 days before enrolment,
- send a welcome e-mail after enrolment.

The use of the following is recommended in creating the various above mentioned contents:

- current students (e.g. "What would I like to have known before coming to the college?", "10 best hidden spots for studying" and "7 cool lectures you simply must visit"),
- alumni ("Your most important experiences before graduation", "What did I do for the subsequent 4 years?" and "10 steps in preparation for life after graduation"),
- professors and department heads (how the lectures are taught, what was done within the courses earlier)
- student services ("10 best tips before the entrance exam", "Questions to ask on open door day" and "What to expect from various study programs?")

In the context of the above points, it is recommended to send the following types of mails to lists that should be segmented according to appropriate criteria:

- helpful resources,
- newsletters,
- important dates,
- information on courses,
- offer to connect.

When it comes to e-mails, the following 10 recommendations are given:

1. subject: clear, attention catching,
2. sender: a person with full name,
3. branding: some kind of institution branding,
4. personalisation of the message: necessary,
5. timing: the right time of day for the target audience,
6. value: clear value proposition,
7. call to action: single, clear, focussed,
8. sharing through social networks: yes, for important events,
9. second call to action: if required, at the end of the mail or in post scriptum,
10. cancellation: leave a link with privacy policy and possibility to cancel receiving further mails.

It must also be mentioned that there is a very important point, the so-called nurturing potential customers. The example given in the above mentioned literature refers to a “smart list”, comprised of people six months before the enrolment, who download a report on life on campus and perform a certain number of visits on the web page about student life. This can result in a range of mails. The first one can be sent two days after these conditions have been fulfilled, and would contain the school’s latest report on students’ life. The second would be sent 10 days after the first, and would contain a list of sources about activities on the campus and in student groups. The third e-mail would be sent 15 days after the second, and would include a link for virtual tour, while the fourth would be sent 10 days after the previous one, with an invitation to visit the campus.

### 3. An example from domestic practice

Starting from the above principles, a campaign has been partly completed, and partly is still in progress, by the study program of Marketing of the Faculty of Economic in Subotica, with the assistance of the Centre for Marketing in Novi Sad and Centre for Marketing in Subotica, during a part of the lecture process on relevant courses from the specialised area of Marketing. Realisation of the campaign was approved by the institution’s management, and was fully complementary with the entire enrolment campaign.

The current students of the Marketing study program first needed to be trained in basics of e-mail marketing, for which a tutorial provided by Hubspot was used, and which offers a free certificate. In addition, realisation of the campaign requires the proficiency in appropriate tools, and in this specific case, the tutorial was prepared by the course professor for Mailchimp. Earning such references – certificate, training in the above mentioned tool and participation in planning, conduct and evaluation of the campaign – the students themselves build their own future competitive advantage on the labour market.

Gathering email addresses was done dually – during visits to schools where the representatives of the student organisations gave lectures, and uploading online contents, which requires providing an email address for additional reading.

Design of the campaign should follow the recommendations described in the previous section of the paper, adapted to domestic conditions. The direct communication resulted in the conclusion that preparation for the entrance exam begins

much later than the above mentioned recommendations suggest, but it is possible to communicate all the necessary elements of student life even in this timeframe.

The campaign formally ends at the point of enrolment, but communication with the students needs to be continued after that date as well, suggesting the value of choice and possibly transforming them into the ambassadors of the institution and study program in subsequent campaigns.

### Conclusion

This paper presents three interconnected topics. First of all, the specific features of permission marketing are described, both through the work of its founder Seth Godin and through the overview of other secondary sources. The phases of its implementation were also presented, as well as highlighting the adequacy of various instruments in the context of various phases, and pointing to the position of e-mail marketing in this process.

The second section of the paper offers recommendations for promoting higher education institutions in accordance with permission marketing approach. Although the key focus was on e-mail marketing, the paper also presents a range of possibilities in the development of a campaign for enrolment of students in the context of various phases through which potential customers pass, as well as the timeframe.

Finally, the paper presents an example of email promotion of the Marketing study program of the Faculty of Economics in Subotica, particularly in accordance with permission marketing approach. What is also presented is the way of enabling current students to participate in such a campaign, and the relevance of acquired references.

In addition to the presentation of a modern approach to promotion, the paper is also significant from the aspect of a range of practical advice, not only concerning educational institutions, but also in the case of appropriate modifications, and a much larger number of market players. **SM**

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# Participation of Digital Promotion in the Promotional Mix of Small Enterprises

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## Abstract

The digital revolution places the imperative of accepting the fact that all spheres of business must be modernized. As the core of all functions in the company changes, the marketing function changes. The marketing mix of companies is changing in terms of using digital technologies to implement marketing strategies. In addition to innovation in the domain of creating products, price construction and distribution channels, promotion is also being innovated. Communication of product offers to customers requires a modern approach that will be compatible with the turbulent time in which business is currently taking place. Consumers are turning more and more to modern technologies, and the increasingly popular digital media is the way to reach a modern consumer. In this sense, alongside traditional promotion, the company uses digital promotion as a way of its overall performance in promoting its offer. Among other things, the use of digital promotion channels depends on the size of the company.

The subject of paper is the usage of digital promotion in small enterprises in the Brčko District of Bosnia and Herzegovina. The aim of the paper is to examine participation and significance of digital promotion in the overall promotion of small enterprises of the Brčko District of Bosnia and Herzegovina and to determine the degree of usefulness and satisfaction based on the use of digital promotion by the mentioned enterprises.

## Keywords

Digital promotion, promotional mix, technology, internet.

## 1. Digital marketing - concept and significance

One of the main changes in traditional marketing was determined by the emergence of digital marketing, which required reviewing the marketing strategies of companies that want to remain competitive in the new digital era (Baltes, 2015, p. 111). Almost daily, new technologies, new devices and new applications, developed precisely for these technologies and devices, are emerging on the market which should enable users to get faster and better digital communication. That has its advantages and disadvantages. The benefits are certainly in connecting people from different parts of the world and sharing experiences, obtaining faster the necessary information related to the

products and services that customers are interested in, finding the desired products and services, online shopping, online payments, etc. The undeniable fact is that the progress of technology has greatly facilitated everyday life. Today, people do not have to leave their homes to do almost all activities, primarily buying, paying bills, completing business meetings, etc., if they own a computer and access to the Internet. Digitization also has its advantages from the point of view of companies, and they are primarily reflected in the reduction of the cost of arriving to the broad auditorium, especially if the costs of traditional marketing are compared (Jayaram, Manrai & Manrai, 2015, p. 123). On the other hand, people have adapted themselves too quickly to new technological and/or digital trends, and in this way created a

certain virtual world in which people often stay, sometimes more, than in the real world. Today, it is almost impossible to imagine a day without the use of the Internet, social networks, mobile applications and similar digital technologies. According to the American *Pew Research Center*, 89% of US citizens are actively using the Internet, and nine out of ten citizens use the Internet daily (Pew Research Center, 2018). This trend is not unique only to American society. Global marketing company *We are social* in Singapore is publishing a comprehensive report on the scope of digital technology, so the following information was released in 2018 (We are social):

- 4.021 billion people, or 53% of the world's population, use the Internet daily,
- Mobile devices are actively used 5.135 billion people, or 68% of the world's population,
- 3.196 billion people, or 42% of the population, have profiles on social networks.
- Nearly three billion social network users (2.958 billion people) access their profiles using mobile phone, which is 39% of the world's population.

It is interesting to note that the same agency released the same data two years ago, but then they had less value (Tescic, 2017, page 313), that is:

- 3.42 billion people use the Internet on a daily basis,
- Mobile devices are actively used by 3.79 billion people,
- Profile on social networks has over 2.3 billion users,
- Nearly two billion social network users access their profiles through their mobile phone.

Previously stated data indicates that in just two years there has been an increase in the number of people using the Internet and mobile devices every day, and also that the number of social network users and users who access their social network profiles through mobile devices has increased. These data are significant for all companies that plan their marketing activities, because they significantly change the current, traditional, way of communication with customers.

Observing these data, we can see why traditional marketing has evolved into the digital world. Marketing must follow the customer, and

since the data show that customers slowly become dependent on digital technologies, marketing has found a way to continue communicating with customers, using only a new platform and using digital communications channels. An American study has shown that average people use at least four different media such as online news portals, Word of Mouth, TV, Facebook, Twitter, YouTube, LinkedIn, to get information (Lewis, 2008). Business communication today is the subject of a revolution thanks to social networks such as Facebook and Twitter, which are commonly used as credible business tools (Levy, Birkner, 2011). Communication channels are much more. What is different in the current digital environment is "speed, interconnectivity, and hence the complexity of these elements" (Kung, 2008, p. 83). Therefore, it is very important to define the term "digital marketing" well. The Digital Marketing Institute defines this term as "the use of digital technologies to create integrated, targeted and measurable communications that can help capture and retain customers while building deeper relationships with them" (Smith, 2007 in Wymbs, 2011, p. 94).

## 2. Guiding the company to digital marketing

As we have already pointed out, businesses must follow customers, especially when it comes to marketing activities. Customers have already adapted to the digital era and the lifestyle in which digitization prevails, so businesses need to "digitize" their marketing efforts. Given the use of the Internet by consumers, it is logical that marketing of modern companies uses online media as an access point with customers related to product promotion and proliferation (Jackson & Ahuja, 2016). Digitization has also changed the relationship between businesses and customers, that is, power is now in the hands of customers. Sharing information on the Internet has given everyone the opportunity to express their opinions, which has led people to trust other people more than organizations (Greenberg, 2010a, Greenberg, 2010b). Such a change in customer mindset has led companies to the situation that they have to change their way of communicating with customers. Companies now recognize the need to listen to their customers, engage them in conversation, make them more transparent, and communicate with customers more openly and sensibly (Karjaluoto, Mustonen & Ulkuniemi, 2015). What does this mean for businesses in practice? First of all, marketing communications now include creating

online communities, generating potential partners from online environments and collaborating with customers to better understand their needs (Weber, 2009). Businesses now need to create topics and the flow of communication, actively participate in communication and exchange of opinions in order to prevent the creation of negative attitudes towards customers in relation to the company and its assortment. Many digital communication tools can help them with this, among which the most commonly used are e-mail, social networks, smartphones and applications developed for them, blogs and web portals. These are not the only tools of digital marketing but are the most often used. It should be noted here that digitalization tools, which are the result of exceptional global technological advancement, are developing almost daily and are constantly improving. Let us just take for example the social network Facebook, which appeared in 2004 and today has more than 2 billion users around the world and has a tendency of steady growth. Each of these marketing tools can be a whole for itself, so today we have marketing of social networks, web marketing, social marketing, and so on.

Companies need to keep in mind that technology in the 21st century is rapidly evolving and changing and that it is necessary to keep up-to-date with events in this field in order to keep up with customers who constantly accept these technologies and import them into all spheres of their lives.

### 3. Preparation of data, sample and data processing

Digital promotion is increasing in small and medium enterprises of Bosnia and Herzegovina. For the purpose of research in this paper, we focused on the small enterprises of the Brčko District of Bosnia and Herzegovina. For the classification of enterprises in small, medium and large, we have chosen the size criterion that small businesses are those that have up to fifty (50) employees, medium businesses have the average of fifty (50) to two hundred and fifty (250), and large over two hundred and fifty workers (250). Small enterprises were selected because of their presence on the territory of the Brčko District B&H and according to the data of the Chamber of Commerce of the Brčko District of B&H, these companies account for 90% of all companies that exist in the territory of the district. Also, the benefits of digital promotion, as well as the low budget required for the realization of digital promotion, are imposed as a

logical move in the desire of small businesses to improve their business. About 1000 small and medium enterprises are registered in the Brčko District of B&H, the majority of which are small enterprises of up to 50 employees. According to some methodologies of enterprise classification in this category, micro-enterprises with the number of employees from one (1) employee to ten (10) employees are included. As part of our work, micro enterprises are classified into small enterprises.

The data were collected on the basis of a questionnaire sent to two hundred (200) randomly selected addresses of small businesses in the Brčko District. Questionnaires were delivered personally and using e-mail. The research was planned for a period of two months from December 2017 and January 2018. During this time period we received 36 responses, i.e. filled in questionnaires. Companies from different activities were surveyed and there were no restrictions in that regard. All received questionnaires are complete and there is no missing data. We consider a response of 18% as a good response, and a sample of 36 units sufficient for valid statistical data processing.

Data processing was performed in the SPSS statistical package, and descriptive and inferential statistics were used for the analysis. Descriptive statistics were used in the part of representing frequencies, mean and standard deviation of data, and the inferential statistics were used in the correlation checking section between the variables that were processed in the questionnaire. As the theme of the paper itself is the relation between the use of traditional and modern promotion tools in small enterprises, the research was conducted in the direction of discovering the mentioned relationship. For the purpose of research, a questionnaire was created consisting of ten (10) questions. Questions in the questionnaire were designed so that the respondents had to give answers on the number of employees, their satisfaction with market share, their satisfaction with the competitiveness, the frequency of the use of overall promotion of the company, the frequency of using traditional and modern promotion, the frequency of using traditional and modern promotion tools and ultimately satisfaction with the infrastructure for conducting traditional and modern promotion. Possible answers to questions about satisfaction with market share, competitiveness and traditional and modern promotion, and the frequency of the use of traditional and modern promotion tools

were formed in such a way that they were given on the five-point Likert scale. The offered answers to questions about satisfaction with market share, competitiveness and traditional and modern promotion are given on the scale in the following form: 1-absolutely dissatisfied, 2-moderately dissatisfied, 3-neutral, 4-moderately satisfied and 5-absolutely satisfied. The offered answers to the questions about the frequency of the use of traditional and modern promotion tools are given on a scale in the following form: 1-never, 2-rarely, 3-sometimes, 4-often and 5-always. The answer to the question about the number of employees is given on a ratio scale.

**4. Research results**

Based on the data processing in this paper, the results are presented below. As regards the data on the number of employees, they are presented in Table 1. Based on the sample of 36 enterprises, the average number of workers is 15.36, the median is 14 workers, the modus is 12 workers, the smallest number of workers is 1, and the largest number of workers is 46. The standard deviation is 9.16 workers.

**Table 1** Number of employees in surveyed enterprises

Employee data	Value
Mean	15.36
Median	14.00
Modus	12
Standard deviation	9.159
Minimum	1
Maximum	46

Source: The authors

Table 2 shows data about market share and competitiveness satisfaction. The average value of the variable *market share satisfaction* is 3.64 with the standard deviation of 0.683 and based on the t-test we can conclude that the attitude of the enterprise towards market participation is not neutral ( $p = 0.000 < 0.05$ ) but is moderately satisfied. For attitude neutrality, satisfaction hypotheses are set:  $H_0$ : mean = 3,  $H_1$ : mean  $\neq$  3.

The mean of the variable *satisfaction with competitiveness* is 3.58 with the standard deviation 0.692 and here we conclude that the attitude of the enterprise is also not neutral ( $p = 0.000 < 0.05$ ), but there is also moderate satisfaction.

**Table 2** Satisfaction with Market Participation and Competitiveness

	N	Min	Max	Mean	Standard deviation
Market share satisfaction	36	2	5	3.64	0.683
Satisfaction with competitiveness	36	2	5	3.58	0.692

Source: The authors

When we talk about satisfaction with the traditional, modern and overall promotion of the companies surveyed, we come up with the results shown in Table 3. The mean of the variable *frequency of using overall promotion* is 3.53 with a standard deviation of 0.774. The mean of the variable *frequency of using traditional promotional tools* is 3.28 with a standard deviation of 0.815.

**Table 3** Frequency of use of promotion

	N	Min	Max	Mean	Standard deviation
Frequency of using overall promotion	36	2	5	3.53	0.774
Frequency of using traditional promotional tools	36	1	5	3.28	0.815
Frequency of using modern promotional tools	36	1	4	3.25	0.732

Source: The authors

The mean of the variable *frequency of using modern promotional tools* is 3.25 with a standard deviation of 0.732. Based on the t-test, we conclude that the attitude of the all three companies in the sample model are not neutral ( $p = 0,000; 0,048; 0,048 < 0.05$  respectively), but that the surveyed companies often use total, traditional and modern promotion ( $p = 0.000; 0.024; 0.024 < 0.05$  respectively).

Table 4 presents the results of the frequency of the use of traditional promotional tools by the companies included in the sample. The answers to the questions about frequency are given on the Likert scale (1 - never, 2 - rarely, 3 - sometimes, 4 - often, 5 - always). The surveyed companies replied that the mean of the frequency of using television as a traditional medium is 2.97 with a standard deviation of 1.540 and based on the t-test ( $p = 0.914 > 0.05$ ), we conclude that surveyed com-

panies sometimes use television for their promotional activities. Sometimes the radio is used as a tool of traditional promotion with a mean of 2.89 and standard deviation of 1.430 ( $p = 0.644 > 0.05$ ).

Regarding the use of daily press releases with a mean of 2.17 and a standard value of 1.363, a magazine with a mean of 1.56 and a standard value of 0.843, a public relations with a mean of 2.22 and a standard deviation of 1.149 and a billboard with a mean of 2.36 and standard deviation 1.334 as traditional promotional tools, they are rarely used by surveyed companies ( $p = 0.000$ ;  $0.000$ ;  $0.000$ ;  $0.004 < 0.05$  respectively). Surveyed companies sometimes also use personal sales with a mean of 3.39 with a standard deviation of 1.315 and sponsoring activities with a mean value of 2.69 and a standard deviation of 1.238 ( $p = 0.085$ ;  $0.148 > 0.05$  respectively), and more often promotion at the point of sale with a mean of 3.78 and a standard deviation of 1.245 ( $p = 0.000 < 0.05$ ).

Table 5 contains data on the frequency of the use of modern tools for the promotion of surveyed companies. From modern promotional tools that are used rarely there are advertisements on the search engine with a mean of 2.31 and a standard deviation of 1.283, links with a mean of 1.69 and a standard deviation of 1.009, reviews with a mean of 1.69 and a standard deviation of 0.920, forums with a mean of 1.72 and a standard deviation of 0.849, a blog with a mean of 1.42 and a standard deviation of 0.604 and a mobile application with a mean of 1.61 and a standard deviation of 0.964, and the conclusion was made on the basis of the t-test ( $p = 0.002$ ;  $0.000$ ;  $0.000$ ;  $0.000$ ;  $0.000 < 0.05$  respectively).

**Table 4** Frequency of using traditional promotion tools

	N	Min	Max	Mean	Standard deviation
Use of television for promotion	36	1	5	2.97	1.540
Use of radio for promotion	36	1	5	2.89	1.430
Use of daily press for promotion	36	1	5	2.17	1.363
Use of magazines in promotion	36	1	4	1.56	0.843
Use of billboard in promotion	36	1	5	2.36	1.334

Promotion at the point of sale	36	1	5	3.78	1.245
Public relations	36	1	5	2.22	1.149
Personal sales	36	1	5	3.39	1.315
Sponsorships	36	1	5	2.69	1.238

Source: The authors

SMS messages with a mean value of 3.00 and a standard deviation of 1.265 are used sometimes ( $p = 1,000 > 0.05$ ). Modern tools used more often by the surveyed companies are an e-mail with a mean of 3.53 and a standard deviation of 1.464 ( $p = 0.019 < 0.05$ ) and a social network with a mean of 3.58 and a standard deviation of 1.442 ( $p = 0.010 < 0.05$ ).

**Table 5** Frequency of using modern promotional tools

	N	Min	Max	Mean	Standard deviation
E-mail	36	1	5	3.53	1.464
SMS	36	1	5	3.00	1.265
Advertisements on the search engine	36	1	5	2.31	1.283
Links	36	1	5	1.69	1.009
Reviews	36	1	4	1.69	0.920
The social network	36	1	5	3.58	1.442
Forums	36	1	4	1.72	0.849
Blog	36	1	3	1.42	0.604
Mobile applications	36	1	5	1.61	0,964

Source: The authors

Table 6 shows satisfaction with the infrastructure for the implementation of traditional and modern promotion tools. Variable *satisfaction with infrastructure for traditional promotion* has a mean of 3.58 with a standard deviation of 0.841. Variable *satisfaction with infrastructure for modern promotion* has a mean of 3.78 with a standard deviation of 1.017. On the basis of the answers we can see that the surveyed companies are mostly satisfied with the infrastructure for implementing traditional promotion tools ( $p = 0.000 < 0.05$ ) and with the infrastructure for implementing modern promotional tools ( $p = 0.000 < 0.05$ ).

**Table 6** Satisfaction with the infrastructure for the implementation of traditional and modern promotion tools

	N	Min	Max	Mean	Standard deviation
Satisfaction with the infrastructure for traditional promotion	36	2	5	3.58	0.841
Satisfaction with the infrastructure for modern promotion	36	2	5	3.78	1.017

Source: The authors

When we look at the correlation (Table 7) between satisfaction with market share, satisfaction with competitiveness, frequency of use of overall promotion, frequency of using traditional promotional tools and the frequency of using modern promotional tools, we can conclude that there is a significant medium strength correlation between the satisfaction with competitiveness and the frequency of using traditional promotion tools  $r = 0.414$ ;  $p = 0.012$ ) and satisfaction with market share with the frequency of using traditional promotional tools ( $r = 0.443$ ;  $p = 0.007$ ).

There is a strong significant correlation between satisfaction with market share and satisfaction with competitiveness ( $r = 0,761$ ;  $p = 0,000$ ), which is logical if we consider competitiveness as the ability to retain and increase market share.

**Table 7** Correlation between satisfaction with market share and competitiveness with overall promotion, traditional and modern promotion

	Satisfaction with market share	Satisfaction with competitiveness	Frequency of using overall promotion	Frequency of using traditional promotional tools	Frequency of using modern promotional tools
Satisfaction with market share	1	0.761**	0.047	0.443**	-0.100
	Sig. (2-tailed)	0.000	0.787	0.007	0.561
	N	36	36	36	36

Satisfaction with competitiveness	Pears. Corr.	0.761**	1	0.049	0.414*	-0.127
	Sig. (2-tailed)	0.000		0.777	0.012	0.461
	N	36	36	36	36	36
Frequency of using overall promotion	Pears. Corr.	0.047	0.049	1	0.214	0.113
	Sig. (2-tailed)	0.787	0.777		0.210	0.510
	N	36	36	36	36	36
Frequency of using traditional promotional tools	Pears. Corr.	0.443**	0.414*	0.214	1	0.072
	Sig. (2-tailed)	0.007	0.012	0.210		0.677
	N	36	36	36	36	36
Frequency of using modern promotional tools	Pears. Corr.	-0.100	-0.127	0.113	0.072	1
	Sig. (2-tailed)	0.561	0.461	0.510	0.677	
	N	36	36	36	36	36

\*\* . Correlation is significant at alpha = 0.01

\* . Correlation is significant at alpha level = 0.05

Source: The authors

It is interesting to note that there is no significant correlation between the frequency of the use of traditional promotional tools, the frequency of using modern promotional tools, satisfaction with the infrastructure for applying traditional promotion, and infrastructure satisfaction for applying modern promotion (Table 8).

**Table 8** Correlation between satisfaction with traditional and modern promotion tools with satisfaction with the infrastructure for application of traditional and modern promotion.

		Frequency of using traditional promotion tools	Frequency of using modern promotional tools	Satisfaction with the infrastructure for traditional promotion	Satisfaction with the infrastructure for modern promotion
Frequency of using traditional promotion tools	Pearson Correlation	1	0.072	0.132	-0.096
	Sig. (2-tailed)		0.677	0.443	0.578
	N	36	36	36	36
Frequency of using modern promotional tools	Pearson Correlation	0,072	1	-0.058	-0.038
	Sig. (2-tailed)	0.677		0.737	0.824
	N	36	36	36	36
Satisfaction with the infrastructure for traditional promotion	Pearson Correlation	0.132	-0.058	1	0.189
	Sig. (2-tailed)	0.443	0.737		0.269
	N	36	36	36	36
Satisfaction with the infrastructure for modern promotion	Pearson Correlation	-0.096	-0.038	0.189	1
	Sig. (2-tailed)	0,578	0,824	0,269	
	N	36	36	36	36

Source: The authors

### 5. Limitations and recommendations for future research

In this paper, there are several limitations related to research. First, only small enterprises are included in the work, although usually small and medium enterprises are taken as a group. Micro enterprises are also included in small enterprises. These two facts may possibly disable the comparison of this research with other similar surveys, which are usually done in small and medium-sized enterprises. The size of the sample is the second limitation of this paper, although the re-

sponse to the survey is relatively good compared to similar research. A sample size of 36 companies is sufficient for statistical processing, but a larger sample would give more reliable conclusions regarding correlations between variables. Thirdly, enterprises of different activities are surveyed, which can also cause logically different answers, especially in the light of the answers to the questions in the use of modern promotional tools. In addition, the questions in the questionnaire were created in such a way that potential responses were given on the Likert scale and there was no opportunity to provide answers in the form of multiple responses and other forms of closed and open questions.

One of the recommendations for future research would be to do similar research with a focus on small and medium-sized enterprises. After that, the recommendation would be to do similar research in the countries of the region, and make their comparison. In addition to this, research in certain economic activities should be done. It would also be interesting to explore the financial aspect of investing in traditional and modern promotion both in Bosnia and Herzegovina and in the countries of the region.

### Conclusion


Digitization is a phenomenon of the 21st century, which moves borders in the business world. Regardless of their type of activity and their size, companies must keep up with the times and accept the consequences of digitization. In addition to numerous advantages, digitization has some disadvantages. The number of Internet users is growing rapidly year after year, and imperative to the company is to approach modern consumers. One of the activities of a company that is greatly affected by the consequences of digitization is promotion.

Promotional activities in a contemporary, modern environment require shifting focus from traditional to modern promotional tools. As traditional promotional tools most commonly reported are television, radio, daily newspapers, magazines, billboards, sales promotion, personal sales, public relations and sponsorship. The most common forms of modern promotion, i.e. the most commonly used tools, are e-mail, text messages, search ads, links, reviews, social networks, forums, blogs and mobile applications.

The research in this paper has shown that small businesses use both traditional and modern promotion tools, although the frequency of using



traditional tools prevails. Statistically significant medium strong correlation was confirmed between satisfaction with market share and competitiveness with the frequency of using traditional promotional tools. A statistically significant very strong correlation was confirmed between the company's satisfaction with competitiveness and the frequency of the use of traditional promotional tools. During the research, no statistically significant correlation was found between satisfaction with market share and satisfaction with competitiveness with the frequency of using modern promotional tools. This result leads us to conclusion that companies in the Brčko District of Bosnia and Herzegovina still rely more on traditional promotion tools.

Looking at individual tools of traditional and modern promotion, we can conclude that the most popular ones are the promotion at the point of sale and personal sales, and from modern tools, the most often used are e-mail and social networks. From traditional tools, magazines, daily newspapers and public relations are the least commonly used, and forums, blogs and mobile applications are the least commonly used by modern tools. 

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# Analysis of the Market Concentration of Agricultural Enterprises in AP Vojvodina

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## Abstract

Increased concentration on the market often leads to a limitation of the market share of other market participants, with the increase in market share being mostly accompanied by growth in market power. The increase in market power and the dominant position of individual market participants do not always create adverse effects for other market participants and the overall economy. The paper will analyze the market concentration of agricultural enterprises in the period between 2011 and 2015. The sample consists of medium and large companies of sector A - Agriculture, forestry and fisheries with headquarters on the territory of AP Vojvodina. The analysis of the market concentration of agricultural enterprises is carried out with the aim of perceiving the concentration of large and medium enterprises, as well as the concentration of other companies from the mentioned branch in terms of number of enterprises, number of employees, total turnover and gross value added.

## Keywords

Market concentration, small and medium enterprises, agriculture.

## Introduction

The growth and development of national economies today surpasses numerous theoretical considerations from the second half of the last century. In modern understanding, the comparative advantages are dominant, where the key factors of the speed of growth and development of national economies are the speed of integrating innovations, as well as the ability of the economy to direct theoretical knowledge into new technologies.

Agriculture makes a very significant contribution to the development of national economies at a glance (Bogovac, Cvetković, Ilić & Milićević, 2010). One of the basic characteristics of the market economy is that all market participants are trying to grow and grow and thus gain a dominant market position in order to achieve as much profit as possible. Higher growth in market share contributes to the economy of scale and lower costs per unit of product. Increases in the concentration of power of individual market participants usually

results in limiting the market power of other market participants. Due to the extreme growth of the company, there can be absolute domination of an enterprise or a certain number of enterprises, which leads to the elimination of other competitors in the market, whereby small and medium-sized enterprises are the most vulnerable.

The level of market share and the degree of concentration affect the level of competition in the market, as well as the nature of the national market of a country, with competition from the perfect competition to the oligopoly. If there is a low concentration on the market, the word is perfect competition, which means that all market participants are equally represented. If there is a dominant participation of a small number of companies on the market, the market is most often concentrated and oligopolistic (Vuković, Mijić, & Spahić, 2015).

In our country, in order to stimulate agricultural production, certain economic policy meas-

ures have been taken, such as subsidizing production, stimulating interest rates, writing off a portion of the debt to agricultural enterprises, reducing taxes and the like. These measures have yielded modest results because their positive effects were neutralized by numerous negative circumstances, and primarily by low prices of agricultural products (Obrenović & Vukoje, 2000).

Some studies point to a distorted financial balance, where unmatched bond matching times and availability deadlines resulted in the financial instability of agricultural enterprises. Key factors of financial instability are excessive short-term liabilities from operations, where unmatched deadlines represent a problem for a long time, specific for agricultural production, whereby it is very difficult to achieve positive effects in the short term (Jakšić, Vuković, & Mijić, 2011).

A highly aggravating circumstance for agriculture in our country is also the fact that the agricultural sector suffered much bigger blows from the global economic crisis than other sectors, in many segments, such as employment, income, wages, reduction of credit activity, and prevalently drastic fall in the agrarian sector of the budget (Pejanović, 2010).

Accordingly, sources for financing working capital at prices appropriate agricultural production should be provided, stimulating short-term loans, improving cooperation with donors and building capacities for the use of European Union funds for agricultural production (Andrić, Vuković, & Mijić, 2011).

The greatest effect of the crisis was reflected in the reduction of investment activity, the reduction of money for maintaining liquidity, the decline in purchasing power of consumers, the high price growth and difficult collection of receivables. Also, there was a decline in exports of AP Vojvodina, primarily due to the negative rate of growth of industry and agricultural production in certain years (Andrić & Vuković, 2013).

Globalization in agriculture has witnessed the growing participation of developing countries in world agro-trade. Concentration is not enough to establish market power. Future research should focus on compiling measures of market concentration, as well as to the effects of market concentration. Ideally, the measurement of market power should be based on price information. In the absence of detailed information on net margins, other means for concluding market power as trends in price spacing should be explored (Briones, 2013).

If the competitiveness of a particular economic system is generally understood as its ability to achieve results that match the goals of the system and its dynamics in a competitive environment, then under the current conditions, the key production criterion in an agricultural enterprise is competitiveness from the perspective of the acceptability of the offered product by the market (Brechvarova, 2007).

The rapid growth of population and the commercialization of agriculture increases the demand for processed agricultural and food products. In parallel with this, as a consequence, farmers are excluded from direct participation in the markets. Farmers – especially small holdings – are confronted with the pressure of large agricultural enterprises to supply raw materials in the required quantities and also face the difficulty of integration in the value chain (Antal, 2015).

## 1. Research and result

### 1.1. Market concentration of agricultural enterprises by number of enterprises in the branch

The market share of large and medium-sized agricultural enterprises in sector A - Agriculture, forestry and fisheries with its headquarters in AP Vojvodina in 2011 was 5.36%, and the participation of other companies in the mentioned branch amounted to 94.64%. In 2012, the market share of large and medium-sized agricultural enterprises declined by 0.44%, with a market share of 4.92%. At the same time, in 2012, the market share of other companies from the aforementioned branch is growing by the same percentage, with a market share of 95.08%.

**Table 1** Market concentration by number of enterprises

Year	Concentration of large and medium enterprises	Concentration of other enterprises
2011	5.36%	94.64%
2012	4.92%	95.08%
2013	4.75%	95.25%
2014	4.48%	95.52%
2015	4.49%	95.51%

Source: The authors

In the next two years, the trend of decline in the market share of large and medium-sized agricultural enterprises continued. The decline in market share of large and medium-sized agricul-

tural enterprises in 2013 was 0.17%, so the market share of large and medium-sized enterprises was 4.75%. At the same time, there is growth by the same percentage of other companies from the mentioned branch, and the market share is 95.25%.

In 2014, the market share of large and medium-sized agricultural enterprises dropped by 0.27% and amounted to 4.48%, whereby the market share of other companies by the same percentage increased and their market share was 95.52%.

The next year there will be a very slight increase in the market share of large and medium-sized agricultural enterprises by only 0.01%, with the simultaneous decline in the market share of other companies for the mentioned percentage, with their share being 95.51%.

**1.2. Market concentration of agricultural enterprises by number of employees in the branch**

Analyzing the number of employees, it can be seen that large and medium-sized agricultural enterprises employ 63.06% of employees in the branch, while other enterprises account for 36.94% of employees in 2011.

In the following year, a small drop in employees in large and medium-sized agricultural enterprises is only 0.14% and it was 62.92%, with simultaneous increase in the number of employees in other agricultural enterprises, amounting to 37.08%.

**Table 2** Market concentration according to the number of employees

Year	Concentration of large and medium enterprises	Concentration of other enterprises
2011.	63.06%	36.94%
2012.	62.92%	37.08%
2013.	63.12%	36.88%
2014.	61.61%	38.39%
2015.	59.46%	40.54%

Source: The authors

In 2013, there was an increase in the number of employees in large and medium-sized agricultural enterprises, amounting to 63.12%, with an increase of 0.2% compared to the previous year. The same year there was a drop in the number of employees in other agricultural enterprises from the branch by the same percentage, with the number of employees 36.88%.

The following year, employees of large and medium-sized agricultural enterprises in AP Vojvodina fell by 1.51%, accounting for 61.61%, while at the same time the number of employees in other agricultural enterprises increased by 38.39%.

The downward trend in the number of employees in large and medium-sized agricultural enterprises continued in 2015, where the number of employees fell by 2.15%, with the total number of employees in large and medium-sized agricultural enterprises at 59.46%. The number of employees in other agricultural enterprises increased by the same percentage and amounted to 40.54%.

**1.3. Market concentration of agricultural enterprises by turnover**

Turnover as one of the most important aspects of analyzing the market concentration of large and medium-sized enterprises was almost the same in the observed period with very small deviations. Thus, the turnover of large agricultural enterprises in 2011 was 34.79% and the turnover of other agricultural enterprises was 65.21%.

In the next year, the total turnover of large and medium-sized agricultural enterprises will increase by only 0.53%, amounting to 35.32%, with the simultaneous decrease in the total turnover in other agricultural enterprises, which amounted to 64.68%.

**Table 3** Market Concentration by Turnover

Year	Concentration of large and medium enterprises	Concentration of other enterprises
2011.	34.79%	65.21%
2012.	35.32%	64.68%
2013.	36.92%	63.08%
2014.	36.84%	63.16%
2015.	36.89%	63.11%

Source: The authors

In 2013, the overall turnover of large and medium-sized agricultural enterprises also increased by 1.6%, with total turnover amounting to 36.92%. Other agricultural enterprises realized a decrease in turnover, which amounted to 63.08%.

In the next year, the total turnover of large and medium-sized agricultural enterprises declined by only 0.08% and amounted to 36.84%, with simultaneous slight increase by the same percentage of total turnover of other agricultural enterprises, with the total turnover amounting to 63.16%.

In the last year of the observed period, a very small increase in the total turnover of large and medium-sized agricultural enterprises was achieved by only 0.05%, with the total turnover amounting to 36.89%. At the same time, there is a small decrease for the stated percentage of turnover of other agricultural enterprises, with the total turnover amounting to 63.11%. Taking into account the total turnover in the observed period, it can be seen that in addition to large and medium-sized enterprises and other enterprises, they have a significantly high share in total turnover in the mentioned agricultural branch.

#### 1.4. Market concentration of agricultural enterprises by gross value added

Large and medium-sized agricultural enterprises in 2011 achieved gross value added of 61.28% and other agricultural enterprises 38.72%.

In the following years, large and medium-sized agricultural enterprises are experiencing a fall in gross value added of 4.23%, accounting for 57.05%. At the same time, there is a rise in gross value added in other agricultural enterprises, where it was 42.95%.

**Table 4** Market concentration per gross value added

Year	Concentration of large and medium enterprises	Concentration of other enterprises
2011.	34.79%	65.21%
2012.	35.32%	64.68%
2013.	36.92%	63.08%
2014.	36.84%	63.16%
2015.	36.89%	63.11%

Source: The authors

In 2013, large and medium-sized agricultural enterprises realized a fall in gross value added by 0.73%, with the gross value added amounting to 56.32%, with a simultaneous increase in the gross value added of other agricultural enterprises, where it was 43.68%.

In the next year there will be a slight increase in gross value added for large and medium-sized agricultural enterprises by 0.66%, with the gross value added being 56.98%. At other agricultural enterprises, the gross value added rose at the same time, which amounted to 43.02%.

In the last year of the observed period, large and medium-sized agricultural enterprises recorded a fall in gross value added by 0.35%, with the gross value added being 57.33%. Other agri-

cultural enterprises in the sector recorded growth in the gross value added by the same percentage, with the gross value added being 42.67%.

## 2. Discussion

At the beginning of the observed period, medium and large agricultural enterprises in the Autonomous Province of Vojvodina achieved a market share of 5.36% in relation to other agricultural enterprises with a market share of 94.64%. However, regardless of the smaller market share, medium and large agricultural enterprises account for 63.06% of employees in comparison to 36.94% of employees of other agricultural enterprises. Other semi-durable enterprises make a significantly higher turnover of 65.21% compared to the turnover of large and medium-sized enterprises, which amounted to 34.79%. Regardless of the significantly lower turnover and the number of employees, large and medium-sized agricultural enterprises make a gross value added of 61.28% compared to the gross value added of other agricultural enterprises, which amounted to 38.72%.

In the new year, there is a decrease in the number of medium and large agricultural enterprises in AP Vojvodina with a share of 4.92%, and at the same time, the increase in the share of other agricultural enterprises. Also, there is a slight decrease in the employment of medium and large agricultural enterprises, whose share in 2012 amounts to 62.92%, and at the same time to the increase of employees in other agricultural enterprises. Also, the gross value added of medium and large agricultural enterprises was reduced in the year compared to the previous year, with a share of 57.05%, with the simultaneous increase in the value added of other agricultural enterprises. However, the same year, medium and large agricultural enterprises, the fallback of all observed values only increased their turnover compared to last year with a share of 35.32%, while other agricultural enterprises realized a decrease in turnover.

In 2013, a similar trend was registered like in the previous year. The share of medium and large agricultural enterprises continued to decline in relation to the fiscal year and amounted to 4.75%, with simultaneous increase in the share of other agricultural enterprises. Like in the previous year, medium and large agricultural enterprises realized turnover growth with a share of 36.92%, while other agricultural enterprises realized a decrease in turnover, with simultaneous increase of employees in large and medium-sized agricultural

enterprises. In the observed year, the gross value added of medium and large agricultural enterprises, like last year, registered a decrease with a share of 56.32%, with the increase in the value added of other agricultural enterprises.

The share of medium and large agricultural enterprises in 2014 also recorded a decline with, a share of 4.48%, with a simultaneous increase in the share of other agricultural enterprises of 95.52%. The number of employees in medium and large agricultural enterprises registered a decrease of 61.61%, while other agricultural enterprises recorded growth in the number of employees. The same year, there is a slight drop in the turnover of medium and large agricultural enterprises with a share of 36.84% with a slight increase in the turnover of other agricultural enterprises. Compared to the past two years, the added value of medium and large agricultural enterprises recorded modest growth with a share of 56.98%, while the gross value added of other agricultural enterprises declined with a share of 43.02%.

In the last year of the observed period, medium and large agricultural enterprises recorded an increase of only 0.01%, while at the same time reducing the share of other agricultural enterprises for the same percentage. The number of employees in medium and large agricultural enterprises has a share of 59.46%, which is a decrease in participation compared to the previous year, with the increase in the share of other agricultural enterprises. Turnover of medium and large agricultural enterprises grew by only 0.05% in relation to the previous year, and the share of turnover was 36.89%, while other agricultural enterprises recorded a decrease in turnover by the same percentage, with a share of 63.11%. Gross value added recorded modest growth of medium and large agricultural enterprises compared to the previous year, with a share of 57.33% on other agricultural enterprises, which have a fall in gross value added.

## Conclusion

The entire field of agriculture, as well as the continuity and stability of agricultural production, have an immeasurable significance on the development of the entire economy of a country. Where is primarily the primary production and export of agricultural products in order to transform them and distribute them in the form of finished products.

One of the basic specifics of the business of agricultural enterprises as well as agricultural

production in general are seasonal fluctuations and significant influence of climate change. In addition to climate change, agricultural enterprises are exposed to other risks in their business, where they primarily focus on raw materials prices, numerous environmental risks and financial risks.

In our country, one of the most important problems faced by agricultural enterprises is the insufficient and inadequate support of the agricultural budget as well as the great uncertainty of the sales and purchase prices of agricultural products.

In spite of all the difficulties, the additional problem is also due to the great impact of the global economic crisis, where the agricultural sector has suffered immense consequences. Therefore, it can be concluded that the market concentration of large and medium-sized agricultural enterprises as well as other agricultural enterprises from the aspect of number of enterprises, number of employees, total turnover and gross value added in the observed period had different values, and this difference did not have significant deviations. **SM**

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## Manuscript Requirements

A paper must be written in text processor Microsoft Word. Paper size: A4. Margins: 3.0 cm on top and bottom, and 2.5 cm on left and right sides. As a guide, articles should be no more than 5.000 words in length. In case the paper exceeds the normal length, the Editors' consent for its publication is needed. Articles submitted for publication in Journal should include the research aim and tasks, with detailed methodology, presenting literature overview on the research object, substantiation of the achieved results and findings, conclusions and a list of references. Manuscripts should be arranged in the following order of presentation.

**First page:** Title (no more than 10 words), subtitle (if any), autobiographical note (the author's full name, academic affiliation, telephone, fax and e-mail address and full international contact). Respective affiliations and addresses of co-authors should be clearly indicated. Please also include approximately 50 words of biographical information on each author of the submitted paper.

### Second page:

- A self-contained abstract/summary/resume of up to 150 words, describing the research objective and its conclusions
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**Subsequent pages:** Main body of the text with headings, footnotes, a list of references, appendices, tables and illustrations. The paragraph parameters are:

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- Style: Normal (**not Title, Heading1, Heading2,...,Body Text, etc!**)

Leave an empty line between paragraphs.

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**Section headings** should be in **bold** with Leading Capitals on Main Words, Times New Roman, 14pt, bold, centered.

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All tables, graphs and diagrams are expected to back your research findings. They should be clearly referred to and numbered consecutively in Arabic numerals. They should be placed in the text at the appropriate paragraph (just after its reference).

**Tables** should be centered. All tables must have captions. The title of your table should follow the table number. Tables should not be wider than the margins of the paper. Skip two lines before and after each table.

**Figures** should be centered. All figures must have captions. The title of figures should appear immediately below the figure. The title of the figure should follow the figure number. Figures should not be wider than the margins of the paper. Skip two lines before and after each figure. Figures will not be redrawn by the publisher. Figures should be high-quality **grayscale** graphics (please, do not use colors): vector drawings (with text converted to curves) or 300 dpi bitmaps. Please do not supply any graphics copied from a website, as the resolution will be too low. In all figures taken or adapted from other sources, a brief note to that effect is obligatory, below the figure. One sentence at least referring to the illustration is obligatory.

**Mathematical expressions** should be numbered on the right side, while all variables and parameters must be defined.

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## Referencing Guide

The references should specify the source (such as book, journal article or a web page) in sufficient detail to enable the readers to identify and consult it. The references are placed at the end of the work, with sources listed alphabetically (a) by authors' surnames or (b) by the titles of the sources (if the author is unknown). Multiple entries by the same author(s) must be sequenced chronologically, starting from the earliest, e.g.:

- Ljubojević, T.K. (1998).
- Ljubojević, T.K. (2000a).
- Ljubojević, T.K. (2000b).
- Ljubojević, T.K., & Dimitrijević, N.N. (1994).

Here is a list of the most common reference types:

### A. PERIODICALS

Authors must be listed by their last names, followed by initials. Publication year must be written in parentheses, followed by a full stop. Title of the article must be in sentences case: only the first word and proper nouns in the title are capitalized. The periodical title must be in title case, followed by the volume number, which is also italicized:

Author, A. A., Author, B. B., & Author, C. C. (Year). Title of article. *Title of Periodical, volume number*(issue number), pages.

#### ➔ Journal article, one author, paginated by issue

Journals paginated by issue begin with page 1 in every issue, so that the issue number is indicated in parentheses after the volume. The parentheses and issue numbers are not italicized, e.g.

Tanasijević, V. (2007). A PHP project test-driven end to end. *Management Information Systems*, 5 (1), 26-35.

#### ➔ Journal article, one author, paginated by volume

Journals paginated by volume begin with page 1 in issue 1, and continue page numbering in issue 2 where issue 1 ended, e.g.

Perić, O. (2006). Bridging the gap: Complex adaptive knowledge management. *Strategic Management*, 14, 654-668.

➔ **Journal article, two authors, paginated by issue**

Strakić, F., & Mirković, D. (2006). The role of the user in the software development life cycle. *Management Information Systems*, 4 (2), 60-72.

➔ **Journal article, two authors, paginated by volume**

Ljubojević, K., & Dimitrijević, M. (2007). Choosing your CRM strategy. *Strategic Management*, 15, 333-349.

➔ **Journal article, three to six authors, paginated by issue**

Jovanov, N., Boškov, T., & Strakić, F. (2007). Data warehouse architecture. *Management Information Systems*, 5 (2), 41-49.

➔ **Journal article, three to six authors, paginated by volume**

Boškov, T., Ljubojević, K., & Tanasijević, V. (2005). A new approach to CRM. *Strategic Management*, 13, 300-310.

➔ **Journal article, more than six authors, paginated by issue**

Ljubojević, K., Dimitrijević, M., Mirković, D., Tanasijević, V., Perić, O., Jovanov, N., et al. (2005). Putting the user at the center of software testing activity. *Management Information Systems*, 3 (1), 99-106.

➔ **Journal article, more than six authors, paginated by volume**

Strakić, F., Mirković, D., Boškov, T., Ljubojević, K., Tanasijević, V., Dimitrijević, M., et al. (2003). Metadata in data warehouse. *Strategic Management*, 11, 122-132.

➔ **Magazine article**

Strakić, F. (2005, October 15). Remembering users with cookies. *IT Review*, 130, 20-21.

➔ **Newsletter article with author**

Dimitrijević, M. (2009, September). MySQL server, writing library files. *Computing News*, 57, 10-12.

➔ **Newsletter article without author**

VBScript with active server pages. (2009, September). *Computing News*, 57, 21-22.

## **B. BOOKS, BROCHURES, BOOK CHAPTERS, ENCYCLOPEDIA ENTRIES, AND BOOK REVIEWS**

### **Basic format for books**

Author, A. A. (Year of publication). *Title of work: Capital letter also for subtitle*. Location: Publisher.

**Note:** "Location" always refers to the town/city, but you should also include the state/country if the town/city could be mistaken for one in another country.

➔ **Book, one author**

Ljubojević, K. (2005). *Prototyping the interface design*. Subotica: Faculty of Economics.

➔ **Book, one author, new edition**

Dimitrijević, M. (2007). *Customer relationship management* (6<sup>th</sup> ed.). Subotica: Faculty of Economics.

➔ **Book, two authors**

Ljubojević, K., Dimitrijević, M. (2007). *The enterprise knowledge portal and its architecture*. Subotica: Faculty of Economics.

➔ **Book, three to six authors**

Ljubojević, K., Dimitrijević, M., Mirković, D., Tanasijević, V., & Perić, O. (2006). *Importance of software testing*. Subotica: Faculty of Economics.

➔ **Book, more than six authors**

Mirković, D., Tanasijević, V., Perić, O., Jovanov, N., Boškov, T., Strakić, F., et al. (2007). *Supply chain management*. Subotica: Faculty of Economics.

➔ **Book, no author or editor**

*Web user interface* (10th ed.). (2003). Subotica: Faculty of Economics.

➔ **Group, corporate, or government author**

Statistical office of the Republic of Serbia. (1978). *Statistical abstract of the Republic of Serbia*. Belgrade: Ministry of community and social services.

➔ **Edited book**

Dimitrijević, M., & Tanasijević, V. (Eds.). (2004). *Data warehouse architecture*. Subotica: Faculty of Economics.

➔ **Chapter in an edited book**

Boškov, T., & Strakić, F. (2008). Bridging the gap: Complex adaptive knowledge management. In T. Boškov & V. Tanasijević (Eds.), *The enterprise knowledge portal and its architecture* (pp. 55-89). Subotica: Faculty of Economics.

➔ **Encyclopedia entry**

Mirković, D. (2006). History and the world of mathematicians. In *The new mathematics encyclopedia* (Vol. 56, pp. 23-45). Subotica: Faculty of Economics.

## C. UNPUBLISHED WORKS

➔ **Paper presented at a meeting or a conference**

Ljubojević, K., Tanasijević, V., Dimitrijević, M. (2003). *Designing a web form without tables*. Paper presented at the annual meeting of the Serbian computer alliance, Beograd.

➔ **Paper or manuscript**

Boškov, T., Strakić, F., Ljubojević, K., Dimitrijević, M., & Perić, O. (2007. May). *First steps in visual basic for applications*. Unpublished paper, Faculty of Economics Subotica, Subotica.

### ➔ **Doctoral dissertation**

Strakić, F. (2000). *Managing network services: Managing DNS servers*. Unpublished doctoral dissertation, Faculty of Economics Subotica, Subotica.

### ➔ **Master's thesis**

Dimitrijević, M. (2003). *Structural modeling: Class and object diagrams*. Unpublished master's thesis, Faculty of Economics Subotica, Subotica.

## **D. ELECTRONIC MEDIA**

The same guidelines apply for online articles as for printed articles. All the information that the online host makes available must be listed, including an issue number in parentheses:

Author, A. A., & Author, B. B. (Publication date). Title of article. *Title of Online Periodical, volume number*(issue number if available). Retrieved from <http://www.anyaddress.com/full/url/>

### ➔ **Article in an internet-only journal**

Tanasijević, V. (2003, March). Putting the user at the center of software testing activity. *Strategic Management, 8* (4). Retrieved October 7, 2004, from [www.ef.uns.ac.rs/sm2003](http://www.ef.uns.ac.rs/sm2003)

### ➔ **Document from an organization**

Faculty of Economics. (2008, March 5). *A new approach to CRM*. Retrieved July 25, 2008, from <http://www.ef.uns.ac.rs/papers/acrm.html>

### ➔ **Article from an online periodical with DOI assigned**

Jovanov, N., & Boškov, T. A PHP project test-driven end to end. *Management Information Systems, 2* (2), 45-54. doi: 10.1108/06070565717821898.

### ➔ **Article from an online periodical without DOI assigned**

Online journal articles without a DOI require a URL.

Author, A. A., & Author, B. B. (Publication date). Title of article. *Title of Journal, volume number*. Retrieved from <http://www.anyaddress.com/full/url/>

Jovanov, N., & Boškov, T. A PHP project test-driven end to end. *Management Information Systems, 2* (2), 45-54. Retrieved from <http://www.ef.uns.ac.rs/mis/TestDriven.html>.

## **REFERENCE QUOTATIONS IN THE TEXT**

### ➔ **Quotations**

If a work is directly quoted from, then the author, year of publication and the page reference (preceded by “p.”) must be included. The quotation is introduced with an introductory phrase including the author's last name followed by publication date in parentheses.

According to Mirković (2001), “The use of data warehouses may be limited, especially if they contain confidential data” (p. 201).

Mirković (2001), found that “the use of data warehouses may be limited” (p. 201). What unexpected impact does this have on the range of availability?

If the author is not named in the introductory phrase, the author's last name, publication year, and the page number in parentheses must be placed at the end of the quotation, e.g.

He stated, “The use of data warehouses may be limited,” but he did not fully explain the possible impact (Mirković, 2001, p. 201).

### ➔ Summary or paraphrase

According to Mirković (1991), limitations on the use of databases can be external and software-based, or temporary and even discretion-based. (p.201)

Limitations on the use of databases can be external and software-based, or temporary and even discretion-based (Mirković, 1991, p. 201).

### ➔ One author

Boškov (2005) compared the access range...

In an early study of access range (Boškov, 2005), it was found...

### ➔ When there are **two authors**, both names are always cited:

Another study (Mirković & Boškov, 2006) concluded that...

### ➔ If there are **three to five authors**, all authors must be cited the first time. For subsequent references, the first author's name will be cited, followed by “et al.”.

(Jovanov, Boškov, Perić, Boškov, & Strakić, 2004).

In subsequent citations, only the first author's name is used, followed by “et al.” in the introductory phrase or in parentheses:

According to Jovanov et al. (2004), further occurrences of the phenomenon tend to receive a much wider media coverage.

Further occurrences of the phenomenon tend to receive a much wider media coverage (Jovanov et al., 2004).

In “et al.”, “et” is not followed by a full stop.

### ➔ Six or more authors

The first author's last name followed by "et al." is used in the introductory phrase or in parentheses:

Yossarian et al. (2004) argued that...

... not relevant (Yossarian et al., 2001).

### ➔ **Unknown author**

If the work does not have an author, the source is cited by its title in the introductory phrase, or the first 1-2 words are placed in the parentheses. Book and report titles must be italicized or underlined, while titles of articles and chapters are placed in quotation marks:

A similar survey was conducted on a number of organizations employing database managers ("Limiting database access", 2005).

If work (such as a newspaper editorial) has no author, the first few words of the title are cited, followed by the year:

("The Objectives of Access Delegation," 2007)

**Note:** In the rare cases when the word "Anonymous" is used for the author, it is treated as the author's name (Anonymous, 2008). The name Anonymous must then be used as the author in the reference list.

### ➔ **Organization as an Author**

If the author is an organization or a government agency, the organization must be mentioned in the introductory phrase or in the parenthetical citation the first time the source is cited:

According to the Statistical Office of the Republic of Serbia (1978), ...

Also, the full name of corporate authors must be listed in the first reference, with an abbreviation in brackets. The abbreviated name will then be used for subsequent references:

The overview is limited to towns with 10,000 inhabitants and up (Statistical Office of the Republic of Serbia [SORS], 1978).

The list does not include schools that were listed as closed down in the previous statistical overview (SORS, 1978).

### ➔ **When citing more than one reference from the same author:**

(Bezjak, 1999, 2002)

➔ When several **used works by the same author were published in the same year**, they must be cited adding a, b, c, and so on, to the publication date:

(Griffith, 2002a, 2002b, 2004)

### ➔ **Two or more works in the same parentheses**

When two or more works are cited parenthetically, they must be cited in the same order as they appear in the reference list, separated by a semicolon.

(Bezjak, 1999; Griffith, 2004)

### ➔ **Two or more works by the same author in the same year**

If two or more sources used in the submission were published by the same author in the same year, the entries in the reference list must be ordered using lower-case letters (a, b, c...) with the year. Lower-case letters will also be used with the year in the in-text citation as well:

Survey results published in Theissen (2004a) show that...

➔ To **credit an author for discovering a work**, when you have not read the original:

Bergson's research (as cited in Mirković & Boškov, 2006)...

Here, Mirković & Boškov (2006) will appear in the reference list, while Bergson will not.

➔ When **citing more than one author**, the authors must be listed alphabetically:

(Britten, 2001; Sturlasson, 2002; Wasserwandt, 1997)

➔ When there is **no publication date**:

(Hessenberg, n.d.)

➔ **Page numbers must always be given for quotations:**

(Mirković & Boškov, 2006, p.12)

Mirković & Boškov (2006, p. 12) propose the approach by which “the initial viewpoint...

➔ **Referring to a specific part of a work:**

(Theissen, 2004a, chap. 3)

(Keaton, 1997, pp. 85-94)

➔ **Personal communications, including interviews, letters, memos, e-mails, and telephone conversations**, are cited as below. (These are *not* included in the reference list.)

(K. Ljubojević, personal communication, May 5, 2008).

## FOOTNOTES AND ENDNOTES

A few footnotes may be necessary when elaborating on an issue raised in the text, adding something that is in indirect connection, or providing supplementary technical information. Footnotes and endnotes are numbered with superscript Arabic numerals at the end of the sentence, like this.<sup>1</sup> Endnotes begin on a separate page, after the end of the text. However, Strategic Management journal **does not recommend the use of footnotes or endnotes**.

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