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MASTER'S THESIS

**MARKET ORIENTATION IN PUBLIC COMPANIES: THE CASE OF
PUBLIC ENTERPRISE "ELEKTROPRIVREDA BIH" D. D.
SARAJEVO**

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TABLE OF CONTENTS

INTRODUCTION	1
1 THE CONCEPT OF COMPETITIVENESS WITH AN ACCENT ON MARKET ORIENTATION	4
1.1 Historical development of the concept of competitiveness	4
1.1.1 Production concept	6
1.1.2 Product concept	7
1.1.3 Sales concept	7
1.1.4 Marketing concept	8
1.1.5 Holistic marketing concept	9
1.2 The definition of market orientation.....	11
1.3 Determinants of market orientation.....	13
1.4 Market orientation as a dominant strategy in a company	16
2 MODEL OF MARKET ORIENTATION.....	19
2.1 Models and techniques of measuring market orientation.....	19
2.1.1 MKTOR scale measuring market orientation.....	20
2.1.2 MARKOR scale measuring market orientation	22
2.2 Comparison of MKTOR and MARKOR scales and choice of analysis methods	23
3 MARKET ORIENTATION IN THE PUBLIC SECTOR.....	24
3.1 The concept of market orientation in public companies.....	24
3.2 Determinants of market orientation in public companies.....	26
3.3 The public sector in Bosnia and Herzegovina	28
3.3.1 Basic data on the operations and organization of the public company EP BiH.	30
3.3.2 The electricity market in Bosnia and Herzegovina with regards to the position of the public company EP BiH	32
3.3.3 Regulation of the electricity market in Bosnia and Herzegovina.....	35
3.4 Research hypothesis	37
4 EMPIRICAL EXPLORATION IN THE CASE OF THE PUBLIC COMPANY “ELEKTROPRIVREDA BIH”D. D. SARAJEVO.....	39
4.1 Dynamics and research methodology.....	39
4.1.1 Research sample – employees of the public company EP BiH.....	40
4.1.2 Research sample - users of the public company EP BiH	43

4.1.3 The content and design of the questionnaire	46
4.2 The level of market orientation of the public company EP BiH	46
4.2.1 The degree of market orientation of the public company EP BiH from the perspective of employees	47
4.2.2 The degree of market orientation of the public company EP BiH from the perspective of service users	49
4.3 Determinants of market orientation of the public company EP BiH	50
4.3.1 Summarized results of the research	53
4.4 Analysis of results and management recommendations	54
CONCLUSION.....	59
REFERENCE LIST	62

TABLE OF FIGURES

<i>Figure 1.</i> Dimensions of holistic marketing.....	10
<i>Figure 2.</i> Antecedents and Consequences of Market Orientation.....	17
<i>Figure 3.</i> Five Factors of Competition.....	18
<i>Figure 4.</i> Market Orientation	21
<i>Figure 5.</i> Organizational structure of public company EP BiH	32
<i>Figure 6.</i> The structure of consumption by category in %	34
<i>Figure 7.</i> Structure of revenue by category in %	34
<i>Figure 8.</i> Additional hypothesis 1 (results).....	55
<i>Figure 9.</i> Additional hypothesis 3 (results).....	59

TABLE OF TABLES

Table 1. Energy taken from the transmission network in 2013 by entities (GWh).....	33
Table 2. Number of customers of electricity per supplier in BiH.....	33
Table 3. Gender of respondents (employees of the public company EPBiH).....	40
Table 4. Average age (employees of the public company EP BiH).....	41
Table 5. The educational level of respondents (employees of the EP BiH).....	41
Table 6. Current positions occupied by respondents (employees of the EP BiH)	42
Table 7. Department (employees of the public company EP BiH)	42
Table 8. Gender of respondents (users of public company EP BiH)	43
Table 9. The age of respondents (users of public company EP BiH)	43
Table 10. The education level of respondents (users of public company EP BiH).....	44
Table 11. Current occupation of respondents (users of public company EP BiH)	44
Table 12. Monthly income of respondents (users of public company EP BiH).....	45
Table 13. The cost of the monthly bill of respondents (users of public company EP BiH) 45	
Table 14. Market orientation (employees of the public company EP BiH).....	47
Table 15. Market orientation (users of the public company EP BiH).....	49
Table 16. Management behavior (employees of public company EP BiH).....	50
Table 17. Inter-sectorial relations (employees of public company EP BiH)	51
Table 18. Organizational system (employees of public company EP BiH).....	52
Table 19. Additional hypothesis 1 (results)	55
Table 20. Preliminary data analysis (results)	56
Table 21. Additional hypothesis 2 (results)	57
Table 22. Additional hypothesis 3 (results)	59

INTRODUCTION

Which strategic approach to doing business management companies choose, depends on a variety of external environmental factors in which companies do business, such as: economic, political, legal, technological, and cultural conditions (Babić-Hodović & Šestić-Serdarević, 2006). We must remember that internal factors, which make up the human and material resources of the company, are not negligible and that they are available to management when making decisions regarding the business orientation of the company.

Not taking into regard the affinity of management towards rival concepts (production concepts, product concepts, sales concepts, marketing concepts, or the marketing orientation of the company, in other words their social orientation) it is clear that all activities, organization, and use of resources by the company are evaluated by the customer or end-user of the goods or services. Taking this into account, the majority of authors agree that without an openhanded approach towards their consumers, in today's diverse global market, companies are not able to identify their target consumer group, minimize consumer dissatisfaction, and stay ahead of the competition (Šehić, 2002; Kotler & Keler, 2007).

A large number of notable authors in the fields of marketing and management have taken it a step further, and through their empirical studies have showcased evidence upon which modern companies should favor the concept of market orientation. A company is market-oriented when its culture is systematically and completely dedicated to the continuous creation of superior value for customers (Slater & Narver, 1994). Some authors emphasize that the creation and delivery of superior value for customers is to increase the value of the organization (Slywotzky, 1996). Delivering superior value for customers means that companies fully understand the customer's value chain, not just the way it is in the present, but is able to perceive what will happen in the future (Flint, Woodruff, & Gardial, 1997).

In their research Jaworski and Kohli (1993) showed evidence of the positive influence of market orientation on the total performance of the company's revenue as well as employee satisfaction, with a clear message towards managers that with market orientation they could expect better company performance. Slater and Narver (1994) through their research showed a statistically meaningful correlation between the level of market orientation a company had and the profits, sales increase, and success of introducing new products on the market. The findings of Atuahene-Gima (1995) are also interesting in that they showed clear evidence of the positive influence market orientation had in regards to the competition and the success of new products, as well as the cooperation between teams of employees and their overall performance.

When talking about market orientation it is very important to mention the factors or organization that may have a positive or negative effect on the affinity of the company towards market orientation. The most famous authors in this field Jaworski and Kohli (1993) identified the 3 factors that had the largest effect on the affinity of a company towards market orientation. The factors are: top management, the relationship between facilities, and the organization of the system. According to them, the affinity of the top management towards market orientation and their willingness to accept the risks associated with such, have a positive influence on the affinity of the company towards market orientation. When talking about the organization of the company, we take into account the degree of formalization, degree of centralization, departmentalization, and reward system and how it affects the tendency of a company to partake in market orientation.

Taking into account the previously mentioned, it is evident that market orientation positively influences the different organizational elements inside a company, and the performance of the company, but we question whether or not that effect is present only in private companies or can the same result be seen in publicly traded companies as well?

With regards to market orientation in publicly traded companies, the previously mentioned subject is an increasingly more common theme in research papers and studies. Singh (2006) in his research, with a sample size of 33 public libraries in Finland, came to the conclusion that market orientation has statistically significant positive effect on the quality of services provided. In the context of the formerly mentioned research paper, the results of a study acquired in the public sector in Poland with a sample size of 450 respondents are quite interesting, in that they showed that market orientation has a direct positive correlation with the revenue a company made, and that the introduction of market orientation in the company depends on the size and professional orientation of the company management (Kowalik, 2011). Rodrigues and Pinho (2012) also had very interesting results in their empirical studies, and came to the conclusion that market orientation has a strong statistical link with the financial and non-financial performance of local publicly traded companies in Portugal. Segev, Boehm and Vigoda-Gadot (2012) in the results of their empirical study on the theme of the implantation of the concept of market orientation in Israeli companies, with the example being local municipality agencies for providing help to those in socially and financially vulnerable situations, present their findings that market orientation is a prerequisite for identifying and adequately meets the needs of socially vulnerable citizens, and that the tendency of the company to implement the concept of market orientation depends on the management and educational background of the employees. Mahmoud and Hinson (2013) in their study of the representation of market orientation in public sector institutions in Ghana came to clear

evidence that indicated a positive relationship between market orientation and customer satisfaction services (citizens).

When talking about research done on this topic in Bosnia and Herzegovina (hereinafter: BiH), so far in BiH literature there has been no such study regarding the effect of market orientation in public sector companies. Taking into regard the lack of research, as well as the current, actuality and applicability of this theme and it is more than necessary to pay attention to the same. The goal of the research is to identify degree of market orientation and organizational factors that affect the degree of market orientation of public company Elektroprivreda Bosnia and Herzegovina.

The theoretical framework of this master thesis clearly demonstrates the significant impact of market orientation on business performance organizations, creating and maintaining a competitive advantage in the market, but also the various internal and external factors that affect its acceptance. The structure of this master thesis is based on the fact that concepts of competitiveness with a focus on market orientation are first and foremost. Continuing through the master thesis great attention is paid to the definition, determinants and the strategy of market orientation as well as its market-utilization in the examples given and the benefits that it brings. It describes the appearance and effect of market orientation in the public sector of international markets and the attempts to copy the ways of management of private companies and how to use it in the public sector. It also describes the public sector of BiH and the current state of the energy market and the position of Elektroprivreda Bosna i Hercegovina (hereinafter: EP BiH) in the market, as well as European regulations with which the company in the near future has to meet and fulfill. In this master thesis researches has been done on market orientation of public companies from the perspective of customer, and consumer services, however this initial research cannot be taken as reliable and safe, but it can however show interesting results. Due to the specific company itself and its position in the market, had a better way to approach the company and acquire more reliable informations on which one could draw conclusions was sought, but I emphasize once again that this is the first study of its kind on the topic in the region and for the part of the master thesis relating to the investigation should be taken with reserve.

From the aspect of the development of the economy of BiH, the energy sector plays a significant role and it is calculated as the forerunner of positive change, focusing primarily on the potential of the public company “Elektroprivreda BiH” and future investments that this company plans to take. The electricity market is fully open to competition, which means that all users of corporate and private entities are able to choose their all-round supplier of this energy on the basis of the contractual relationship and non-regulated tariffs. Consequently, the Government of the Federation of Bosnia and Herzegovina (hereinafter:

FBiH) adopted a decision to carry out the reorganization of the “Elektroprivreda BiH”, therefore company is prepared for the open competition, which requires greater organizational changes to the company from own production-oriented philosophy turned to a market philosophy.

1 THE CONCEPT OF COMPETITIVENESS WITH AN ACCENT ON MARKET ORIENTATION

1.1 Historical development of the concept of competitiveness

The beginning of marketing techniques started in the early 20th century, in the period between 1900 and 1910, and is the period in which marketing ideas were transformed into marketing thought. Following this period, came the period of marketing conceptualization from 1910 to 1920, and then the period of integrating marketing between 1920 and 1930. The following period from 1930 to 1940 followed marketing development, while the period from 1940 to 1950 follows the reevaluation of marketing thought, while the period from 1950 to today is seen as the period of reconceptualization of marketing (Baker, 2001, pp. 3-22). Following the definition of the American Marketing Association (hereinafter: AMA) (AMA, 2004) “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”. One of the largest modern marketing gurus, Philip Kotler (1994, p. 4) defined marketing as a “societal process by which - through creating and exchanging products of value with others, individuals and groups obtain what they need and what they want”. Sometime later, Kotler and Keller (2006, p. 5) say that, in their view, the shortest definition of marketing: “Profitably meeting needs”.

The latest definition puts an accent on the importance of marketing in profit making, which by itself is the final goal of for-profit organizations. Peter Drucker tried to connect the basic goals of companies with the purpose of marketing and innovation by pointing out their roles, saying that “Since the primary purpose is to create customers, companies have two and only two basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs” (Lenskold, 2003, p. 87). Therefore, profit is the end-goal of the company, and then the most important question is: How to make it?

Porter (2007, pp. 18-22) claims that competitive advantage is the main way to achieve results in competitive markets, clarifying that to achieve these results by making things for the buyers, and selling them at a higher cost than what it takes to make them. Also, Porter (n.d., p. 45) believes that, providing greater value to customers, the company gains the

ability to charge higher than average prices, while the higher efficacy allows lower average costs. When taking into account the point of maintaining competitive advantage, Thompson, Strickland III, and Gamble (2008, p. 7) believe that it depends more on the development of competitively valuable knowledge and skills than in having a recognizable product, highlighting the fact that it is relatively easy for competitors to copy the properties of a popular product, but that it is much more difficult and time-demanding to copy the experience, know-how and some specialist competitive abilities.

Beginning in the 20th century, more specifically 1908, Ford Motors produced the Ford Model T, the 1st mass market automobile. In the heart of this business idea was customer satisfaction, or rather the delivery of value to consumers. However, for the automobile to be able to be sold at a price adequate for middle-class consumers, and in the same time to be profitable, Henry Ford had to find a way to lower the costs of production. This was achieved in a different way of manufacturing, more concretely the introduction of the assembly line, instead of handmade automobiles, and with the concept in which workers would receive payment proportional to the value of the automobile.

From then on, fulfilling the needs of the consumer through the delivery of good values became the central theme of companies. However, changes in the environment in which business dwell (political, economic, socio-cultural, technological, legal, and economic) dictated changes that formed the values for consumers. Looking at today's business philosophies, rather business concepts, we can see a drastic difference in what Henry Ford used in the early 20th century, but the end goal remains the same. This marketing thought in literature can be seen in different notions such as:

- philosophy (Morgan, 1996, p. 20),
- orientation (Dibb & Simkin, 2004, p. 51; Lancaster & Reynolds, 2005, p. 42; Blythe, 2005, p. 58),
- concept (Kotler et al., 2006, p. 15).

Judging by today's available literature, the term "Orientation" is used the most. However, in the master thesis we will use the terminology set by the famous American professors Kotler and Keller in which they choose to use the term "Concept", and in which they further defined the term concept into different categories such as (Kotler et al., 2006, p. 15):

- production concept,
- product concept,
- sales concept,
- marketing concept,
- the concept of holistic marketing.

Which concrete concept, strategically committed management in an organization will use depends on two factors (Tihi, Čičić, & Brkić, 2006, p. 10):

- the environment in which the organization operates,
- the internal characteristics of an organization, including the human and material organizational resources, preferences of the owner, knowledge, skills and psychological characteristics of managers as well as the work style and the overall environment in the organization.

It should be noted that, regardless of the strong influence of other objective factors, especially those from the surrounding environment, a very strong influence of individual characteristics of the decision-makers can be felt when it comes to the choice of the concept.

1.1.1 Production concept

The production concept is considered one of the oldest business approaches. The focus of this concept is the belief that consumers prefer products that are cheap and available, therefore all activities are focused on the production of larger quantities of the product with lower cost, and therefore as efficiently as possible, which is why emphasis is placed on the organization of business processes, cost control, and technology.

This concept, in which the customer is in the background, has its own logic in conditions when the demand exceeds the supply, when the biggest problem of the consumers is the availability of the desired product, which usually happens in markets undergoing a transitional and developmental phase. A very illustrative example of the classic concept of production is Henry Ford's statement regarding the production of the famous model T which has already been discussed in this master thesis. Specifically, regarding the suggestion of his managers to produce the Model T in a larger array of colors, he said: "Give them the color you want, provided it is black" (Tihi et al., 2006, p. 10).

Although this concept is considered more or less a concept of the last century, primarily due to the opening of markets and globalization, which makes products more accessible, there are situations today where its use is still justified. For example this concept is used when wanting to expand the market for cheap products or when the cost of production for a product is too high and should be lowered with greater efficacy in order to increase demand on the market.

1.1.2 Product concept

If the target customers in a market do not want a cheap product that has been mass produced, rather if they desire quality and above average performance, then the production concept will not provide satisfactory results.

The concept in which company's focus on innovation, superior quality and performance that exceed the basic functional requirements of the product, on the basis of which they can achieve higher margins and ignore the principles of scale economy, is called the concept of the product. Therefore, the focus of business activities in companies that are committed to the concept of the product is in creating superior products and their continuous improvement, based on which it is possible to set a higher price than the competition. However, the danger in this concept is that it may be taken as a fallacy, in this case also known as the "Better mousetrap" (Kotler et al., 2006, p. 15), according to which management can be convinced that the superior quality and performance of products will attract customers to buy their product, forgetting the importance of other elements of marketing: price, distribution, and promotion.

1.1.3 Sales concept

The sales concept is based on the premise that to achieve the desired sales results it is not enough to produce the product and let customers make a choice at their own discretion, therefore the focus of this concept is on the activities of sales and promotions that offer various incentives, methods, sweepstakes, direct contacts, and promotional messages directing the customer to choose that particular product, and not another.

Sergio Zyman, former marketing manager at Coca Cola Company, best describes the core idea of this concept by explaining that "the aim of marketing is in how to sell more goods, to more people, more often and for more money" (Zyman, 2002, p. 14). Viewed through the prism of this statement, it is exactly what Coca Cola has successfully been doing for years. Coca Cola has for years, with great care, implemented its sales and promotional activities, putting its strategic focus on these events.

The sales concept is applicable in circumstances where a company has unused production capacity, or when the market is well supplied with products of high quality and when that is almost impossible to offer something better for the price that buyers are willing to pay. However, what is criticized in this concept, and what it has in common with the two previous concepts, is that it is not based on the needs of customers, but rather the "pushing" of products that are created on the basis of internal opportunities for manufacturers.

1.1.4 Marketing concept

Concepts in which companies start from their own internal capabilities and goals are not successful in markets where competition is strong and where the consumer has readily accessible information and a variety of different offers. In such circumstances, the production has to move from the needs and desires of customers, therefore this active relationship with the consumer and their wishes is called marketing concept. It is argued that this approach may provide long-term success to companies doing business in sophisticated markets in developed economies, and that sooner or later all markets reach a stage where the organization will be forced to migrate to the marketing concept of action.

Commenting on why the once very successful railroads in the United States of America (hereinafter: USA) collapsed, Levitt in 1960 in his article “Marketing Myopia” stated: “The failure is at the top. The executives responsible for it, in the last analysis, are those who deal with broad aims and policies. Thus: The railroads did not stop growing because the need for passenger and freight transportation declined. That grew. The railroads are in trouble today not because the need was filled by others (cars, trucks, airplanes, even telephones), but because it was not filled by the railroads themselves. They take flight others customers away from them because they assumed themselves to be in the railroad business rather than in the transportation business. The reason they defined their industry wrong was because they were railroad-oriented instead of transportation-oriented; they were product-oriented instead of customer-oriented” (Levitt, T., 1960, p. 24).

When taking into account the impact of the marketing concept on the performance of a company, Avlonitis and Gounaris (1997, p. 397) argue that companies that are oriented towards production, as well as all other companies that are not marketing oriented, lag behind in the achievement of all four performance measures: sales volume, market share, profits and ROI. Marketing concept implies a commitment to the organization's strategic thinking through the acceptance of their approach in which they analyze the changes in the business environment and in light of their own missions and capabilities (Sharp, 1991, p. 23). According to Kotler et al. when a company changes their marketing strategies towards the marketing concept, they are faced with three obstacles (2006, p. 16):

- organized resistance,
- slow learning,
- quickly forgetting.

Specifically, the companies that have had years of their activities organized in accordance with the concepts of where the emphasis was put on production or product, marketing was a marginal function, while the departments of production, research and development, and

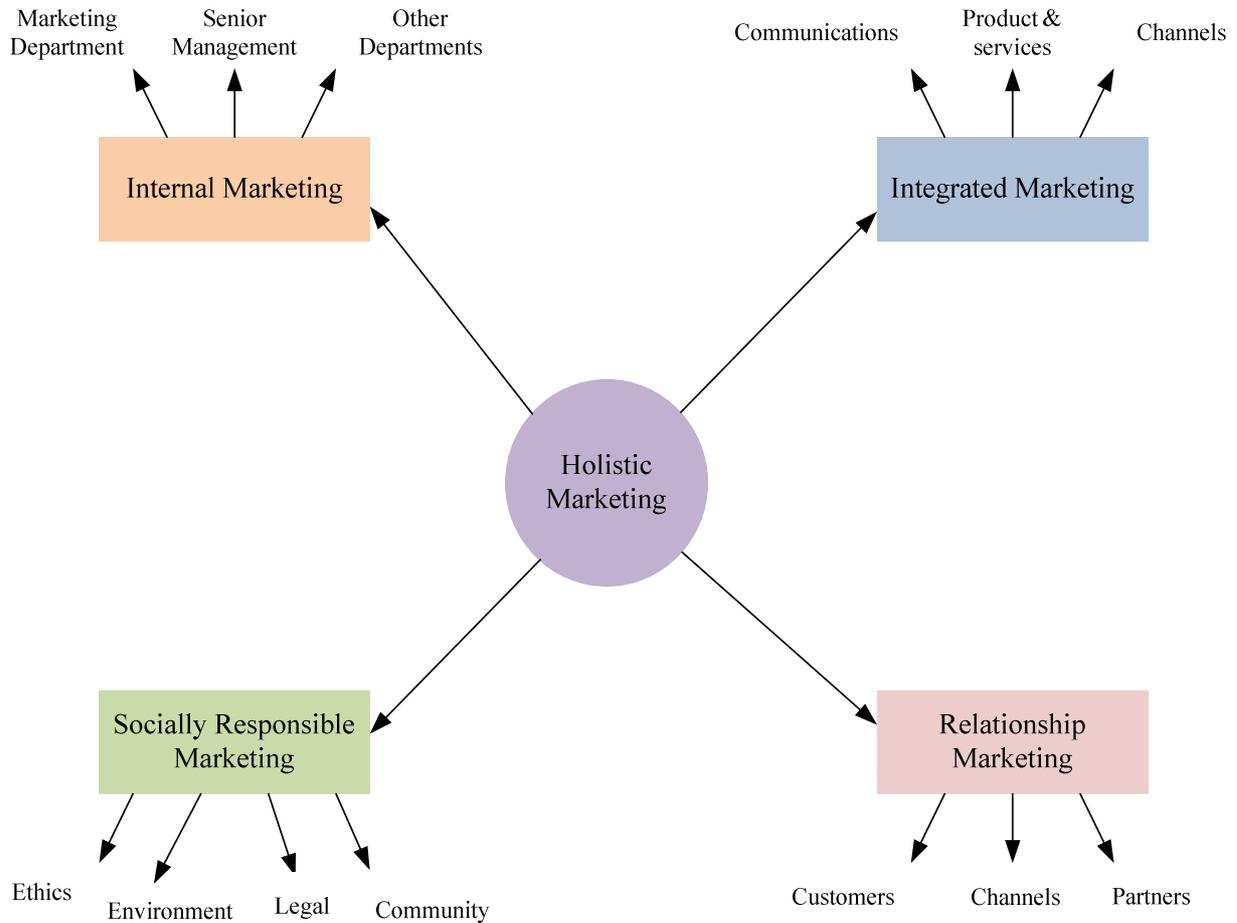
finance where traditionally the ones who were acknowledged the most. In marketing concept, the situation changes drastically. These departments are becoming the ones who act in accordance with what the marketing department puts in front of them, and from their perspective it means the loss of power in decision-making, and resistance is logical and expected. However, in many companies even top management cannot rise above until the practiced concept of operations and therefore provide only declarative support for the marketing approach, but offer no real support. Peter Doyle (2000, p. 2) states: “Many managers of higher level have recognized a paradox in how companies perceive marketing. On the one hand, each general manager in their mission statement sets marketing on a very high pedestal. At the same time, marketing professionals, marketing departments and marketing knowledge are not respected too much.”

Internal un-readiness to change is characteristic of companies that have emerged and which operate in closed economies, and companies that carry out activities of public interest and which usually have years of monopoly or a position in an oligopoly. Such organizations, when they find themselves in a liberalized and deregulated market, where competition is fierce, often very quickly lose their position, to better prepared and more agile competitors. Taking this into accordance, it is very important to identify and mitigate internal resistance on time, by adjusting the functioning of the company to the environment in which it operates.

1.1.5 Holistic marketing concept

The holistic marketing concept was proposed by Kotler and Keller 2006, in response to changes in the environment, which demanded a change of marketing concept aimed at overcoming inefficient traditional methods and proposing a new cohesive approach that could respond to the challenges ahead. The four components that characterize the holistic marketing concept are: relationship marketing, internal marketing, integrated marketing and socially responsible marketing, as shown on Figure 1:

Figure 1. Dimensions of holistic marketing



Source: P. Kotler & K. L. Keller, *Marketing Management*, 2006, p. 18.

Relationship marketing - focused on building long-term relationships between customers, employees, marketing partners (channel partners, supplier, agency) and members of the financial community (capital owners, investors and analysts) on one hand and companies on the other hand. It is these relationships that directly or indirectly affect the success of marketing activities undertaken by the organization.

Integrated marketing – has the goal of linking marketing activities and programs of the company in order to give greater value to customers than the sum of the same activities and programs when taken individually. Traditionally, marketers rely on the concept of 4P marketing mix (product, price, place, promotion), which gives them a view of marketing tools from the perspective of the seller. If one wants to look at things from the perspective of the customer, taking into account the set of objectives of delivering value to the customer, this concept is not adequate, because it is based on the seller's instead of the customer's point of view. For this reason Lauterborn (1990, p. 26) replaced the 4Ps

(product, price, place, promotion) with an equivalent 4Cs (customer solution, customer cost, convenience, communication).

Internal marketing - aims to recruit train and motivate employees to be able to profitably serve customers. Also, the aim is that all employees in the company, especially senior management, understand and accept the principles of marketing. The implementation process of internal marketing can have the greatest contribution to the improvement of human resources management through increased labor productivity and employee satisfaction (Catalina, Andreea, & Adina, 2014, p. 16).

Socially responsible marketing - rests on the belief that the effects of marketing activities of the company are felt outside the company itself and its circle of customers, in other words having an impact on society as a whole. In this regard, it is responsible for understanding the broader picture of the environment in which the organization has its marketing activities, including answering the question why concrete changes take place in the market share, loss and acquisition of customers, customer satisfaction, product quality and other similar changes. This dimension of holistic marketing addresses ethical codes, the context of environmental, legal and the social context of marketing activities and programs.

The critique of the holistic marketing concept lays in the fact that it rests only on the functions of marketing, and not on the comprehensive activities of the organization. All four dimensions of holistic marketing (internal marketing, relationship marketing, socially responsible marketing and integrated marketing) are primarily marketing activities. Thus, the lack of this concept is the neglect of other business activities such as production, management style, organizational culture and other non-marketing elements of business, which also affect the orientation of business organizations (Keelson, 2012, p. 38).

1.2 The definition of market orientation

Some authors such as Esteban et al. (2001, p. 1004) draw parallels between the terms of marketing concept, marketing orientation and market orientation where:

- marketing concept represents the philosophy involved in the structure of the company,
- marketing orientation is the acceptance of the marketing concept, and the provisional steps required to develop this philosophy in the company, while
- market orientation, as opposed to the marketing concept and its implementation, and marketing orientation, refers not only to current but also to future customers of the

company and at the same time takes into account the impact of competitors, and instills inter-functional coordination.

However, there are a greater number of authors who believe that market orientation is an implementation of the marketing concept (Kohli & Jaworski, 1990, p. 1; Lafferty & Hult, 2001, p. 93; Caruana, Pitt, & Ewing, 2003, p. 29). The main difference between these two statements is whether or not market orientation is seen as a specific form of behavior or attitude.

Exclaimed researchers on this topic, Kohli and Jaworski (1990, p. 3), respectively Jaworski and Kohli (1993, p. 467) define market orientation as the commitment of the entire company to focus its efforts on acquiring knowledge about the market, especially regarding the current and future needs of consumers, after which the acquired knowledge is spread throughout the company (horizontally and vertically) causing reactions. Although they do not give a precise definition of market orientation, Narver and Slater (1990, p. 21) argue that a market-oriented organization constantly and actively search for alternatives that would more effectively create a product of superior value for current and future customers. They further emphasize the importance of the long term, and how important it is to build long-term relationships with customers in order to maintain long-term performance of the company.

Deshpande, Farley and Webster (1993, p. 25) reflect that market orientation, is in fact, the orientation towards customers through the company's efforts to highlight the value the company offers to its customers, while at the same time not forgetting the roles of other interested groups, all in order to create long-term profitability. Day (1994, p. 37) in his definition of marketing orientation uses the term “superior skills” to insist that victory in a competitive environment means outwitting competitors, and the “skills” of market orientation cannot be assessed without also referring to competitors and their competitive activities.

Hunt and Morgan (1995, p. 11) define market orientation as: “(1) systematic collection of information about current and future customers and competition, (2) a systematic analysis of this information in the order to acquire knowledge about the market, (3) the systematic use of the knowledge in order to lead a strategy of recognizing, understanding, creation, selection, implementation and modification”. Also they emphasize that inter-functional coordination should not appear in the definition of the concept and that market orientation is a supplement to the marketing concept.

According to Slater (2001, p. 230) the target market orientation of the company is the ability to predict the reaction of competitors and trends and development of needs of

customers in the market in order to invent new products and services and offer greater value to its customers. Given the large number of authors who have given their own definitions of market orientation Lafferty et al. (2001, p. 93), for the sole purpose of clarity, grouped the various definitions according to the approach towards the problem, and this allows the following groupations:

- access to decision-making,
- access to market information,
- approach based on culture,
- strategic approach,
- access to the consumers.

Based on the review of literature, regardless of the minor or major differences in the views of the author and definitions of market orientation, several common characteristics can be drawn as a conclusion, which is that market orientation is:

- focused on customers with the value created for them to be put in the foreground,
- includes the entire organization, not just a marketing tool,
- focused on the market, and not on the internal capabilities of the organization for which emphasis is placed on learning, information and knowledge of customers and competitors, and other interested groups,
- focused on the present and the future and the realization of long-term profitability.

By applying this concept, which includes all departments within the company beyond the problems of internal resistance between non-marketing functions and departments within the company and the development and strengthening of the marketing function. It also goes beyond the exclusion of other departments in the process of creating value for the customer by the marketing functions and departments, as elaborated earlier in this master thesis.

1.3 Determinants of market orientation

The above definitions presented confirm the existence of different opinions regarding the basics which make-up the market orientation of a company. Therefore, it is not surprising that differences between authors persist, especially when it comes to the determinants of market orientation. According to Narver et al. (1990, p. 21) market orientation consists of three behavioral elements:

- orientation towards customers,
- orientation towards competitors and

- inter-functional coordination of the two previous elements.

Plus two decision criteria (1) long term and (2) profitability.

Esteban et al. (2001, p. 1005) identifies five dimensions of market orientation as follows:

- orientation towards customers,
- orientation towards competitors,
- orientation towards the suppliers/dealers,
- orientation towards the environment,
- inter-functional coordination.

Orientation towards customers - organizations that put customers at the center of their activities are aimed at satisfying their current and future needs in a way that gives them greater value than competitors can offer. A large number of authors compare this orientation towards customers with market orientation, so Kohli et al. (1990, p. 3) has the same definition for these two terms. This comparison of logic in the mentioned opinion of many authors, according to which market orientation is in reality the implementation of the marketing concept, while marketing concept, by definition, place customer satisfaction and customer's needs in the center of interest. However, there are many people who deferred the author regarding these two terms.

According to Narver et al. (1990, p. 21) orientation towards customers is an integral part of market orientation and is the most important element, however the other two behavioral elements: orientation towards competitors and cross functional coordination are also of significance. Hajjat (2002, p. 429) considers that the orientation towards customers is a key component of market orientation. Some authors argue that successful orientation towards customers, concerning the exploration of their needs, is linked to organizational culture (Deshpande & Webster, 1989, p. 4; Nwankwo, 1995, p. 7) and innovation (Deshpande et al., 1993, p. 33), as well as the need to closely monitor the competition (Dickinson, Herbst, & O'Shaughnessy, 1986, p. 18, Nwankwo, 1995, p. 8). Since the orientation towards customers so closely linked to the philosophy of market orientation, it is important to mention how it affects the creation of competitive advantage of companies that implement it. If we start from the assumption that innovation, competition monitoring and organizational culture is the key to customer orientation then it can be concluded that, precisely, on the basis of these activities, the company creates itself a competitive advantage. Many authors have confirmed that successful innovations, those catering to the needs and desires of customers, have a positive effect on the results of the company (Deshpande et al., 1993, p. 23, Slater & Narver, 1994, p. 25). How efficiently the company will focus on these activities (innovation and competition), who's signals come from the

external environment, depends on its business culture (Deshpande et al., 1993, p. 30), where the role of the management, in terms of understanding the internal relationships, coordination of different departments and relations with employees and other stakeholders is crucial for success (Narver, et al., 1990, p. 23; Day, 1994, p. 44; Kennedy, Goolsby, & Arnould, 2003, p. 68).

Orientation to the competition - is concerned with identifying the position of competitors (including scanning their strengths and weaknesses, as well as their positioning in the market) and the forecasting of their activities, to adequately prepare, proactively and reactively, a response to the same. Orientation to the competition has been commented on by many authors. Parks, Pharr and Lockeman (1994, p. 68) point out, “just as in war, the reality regarding the battle for market share is that success depends on the mistakes of the losers”. Sorensen (2009, p. 755) argues that the market share of the organization can be explained with its orientation to the competition. Zhou et al. (2007, p. 316) argue that orientation towards consumers works better in developed countries, while the orientation towards more efficient competitors has its place in developing countries. However, some researchers, such as Armstrong and Green (2007, p. 130) argue that competitor orientation may harm performance, noting that “the myth regarding market share lives among those leaders who prefer to rely on their instincts”.

Orientation towards the suppliers/dealers - Gassenheimer and Calantone (1994, p. 196) argue that “operational suggestions from suppliers can become strategic elements”. According to Baker and Hawes (1993, p. 85) the success of any organization depends on the success of others in the channel. Sigauw, Simpson and Baker (1998, p. 106) argue that the orientation of the supplier influences the market orientation of distributors and their commitment in the relationship. Kibbeling, Van der Bij and Van Weel (2013, p. 512) argue that “a strategic commitment to the development of relations with the supplier, especially those who are able to anticipate changes in the environment through innovation, has resulted in delivering superior value to the final beneficiaries”. In the relationship between supplier/dealers, mutual trust is considered a fundamental prerequisite of good cooperation (Wilson, 1995, p. 337), and the commitment is defined as “the desire to develop a stable relationship/connection, a willingness to make short-term sacrifices to maintain connections and trust in it” (Anderson & Weitz, 1992, p. 19).

Orientation towards the environment - the environment (internal and external) has a significant impact on the strategy and market orientation of the company. Slater and Narver (1998, p. 1005) suggest that companies can be guided primarily towards users in an environment that is relatively predictable, which is essential for ensuring that the service market is stable, while in a dynamic environment, this strategy can rarely bring a

competitive advantage because it does not provide sufficient stimulus for significant innovation.

Inter-functional coordination - it is the coordination of business activities in order to improve the performance of a company. It was essentially first mentioned by Narver et al. (1990, p. 21). Deshpande et al. (1993, p. 27) argue that it is the essence of customer orientation. Wow and Menguc (2005, p. 252) define inter-functional coordination as the ability of various functional areas to adapt and they believe that it is an “essential form of internal social capital”. Farzad, Nahavand and Caruana (2008, p. 1483) specify inter-functional coordination as a “rapid and synchronized flow of information” and “the adaptation between structure and strategy”. Bouranta, Mavridoglou and Kiriazopoulos (2005, p. 358) connect ideas of inter-functional coordination with internal marketing and market orientation, and identify two dimensions of inter-functional cooperation: (1) the integration and collaboration of various functional departments and (2) communication and sharing of information and research.

1.4 Market orientation as a dominant strategy in a company

Summarizing all the above in regards to the philosophy of market orientation is no doubt the most comprehensive concept that encourages a company to create a competitive advantage by targeting the activities of all its functions, and not just marketing, towards customer satisfaction, primarily through the satisfaction of their needs, offering them innovative and acceptable solutions, developed on the basis of information from the market about the real needs of customers and on the work of the competition. The essence of market orientation is in creating and delivering greater value for customers on what is the creation of sustainable competitive advantage (Narver et al., 1990, p. 32).

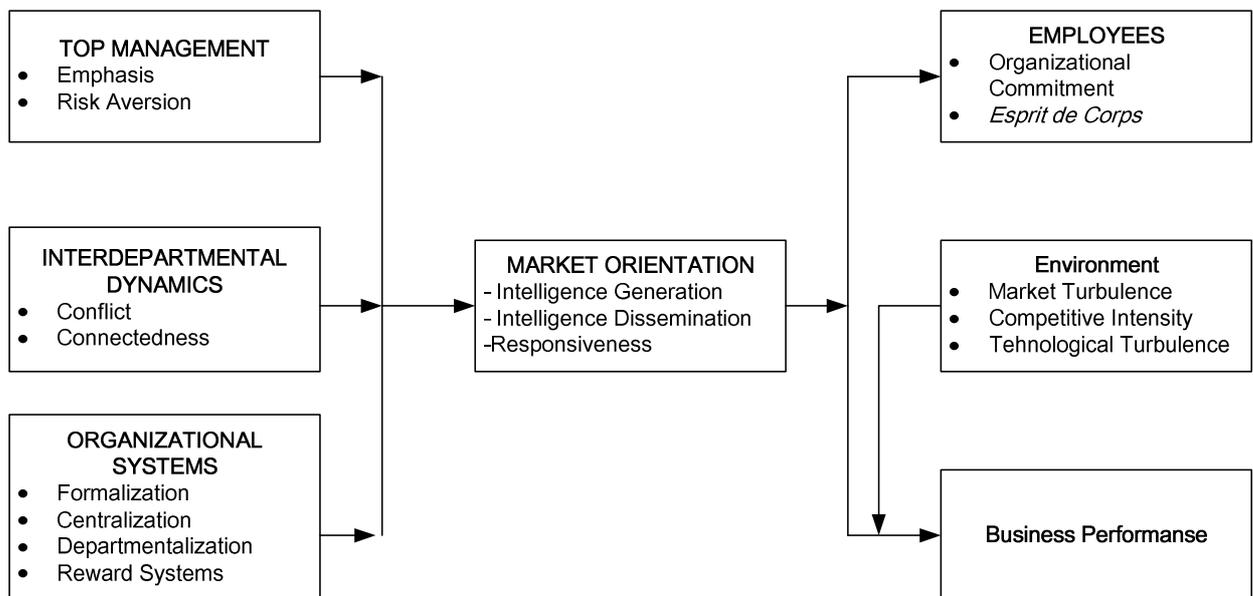
A large number of authors argue that the acceptance of the concept of market orientation has a positive impact on a company (Narver et al., 1990, p. 21; Kohli et al., 1990, p. 7; Jaworski et al., 1993, p. 57; Han Kim & Srivastava, 1998, p. 32), and that it positively affects the reaction of customers and employees (Kohli et al., 1990, p. 7). However, the success of market orientation largely depends on environmental factors such as: the characteristics of the market, the competition, the characteristics of demand and such (Narver et al., 1990 p. 26; Kohli et al., 1990, p. 7; Jaworski et al., 1993, p. 57; Han et al., 1998, p. 32).

Some authors emphasize that the internal factors of the company can be limiting factors in the success of market orientation. Andreassen (1994, p. 17) and Avlonitis et al. (1999, p. 1005) identify, among the factors with the greatest impact on the success of the

implementation of market orientation, the willingness of top management to devote themselves this issue and that their motivation is an incentive for lower employees to accept this philosophy. The same authors have identified that the structure of the company (the level of centralization and formalization) also has a significant impact on the success of market orientation, and Andreassen also added relationships between departments, which are extremely important in a finding model of transmission of information in the company so as to avoid potential conflicts incurred as a result of conflicts of interest.

According to Jaworski et al. (1993, p. 55) three factors (1) top management, (2) relationships between departments and (3) organizational system affect the market orientation, while market orientation affects (1) commitment to employees and (2) the performance of business.

Figure 2. Antecedents and Consequences of Market Orientation



Source: B. J. Jaworski & A. K. Kohli, *Market Orientation: Antecedents and Consequences*, 1993, p.55.

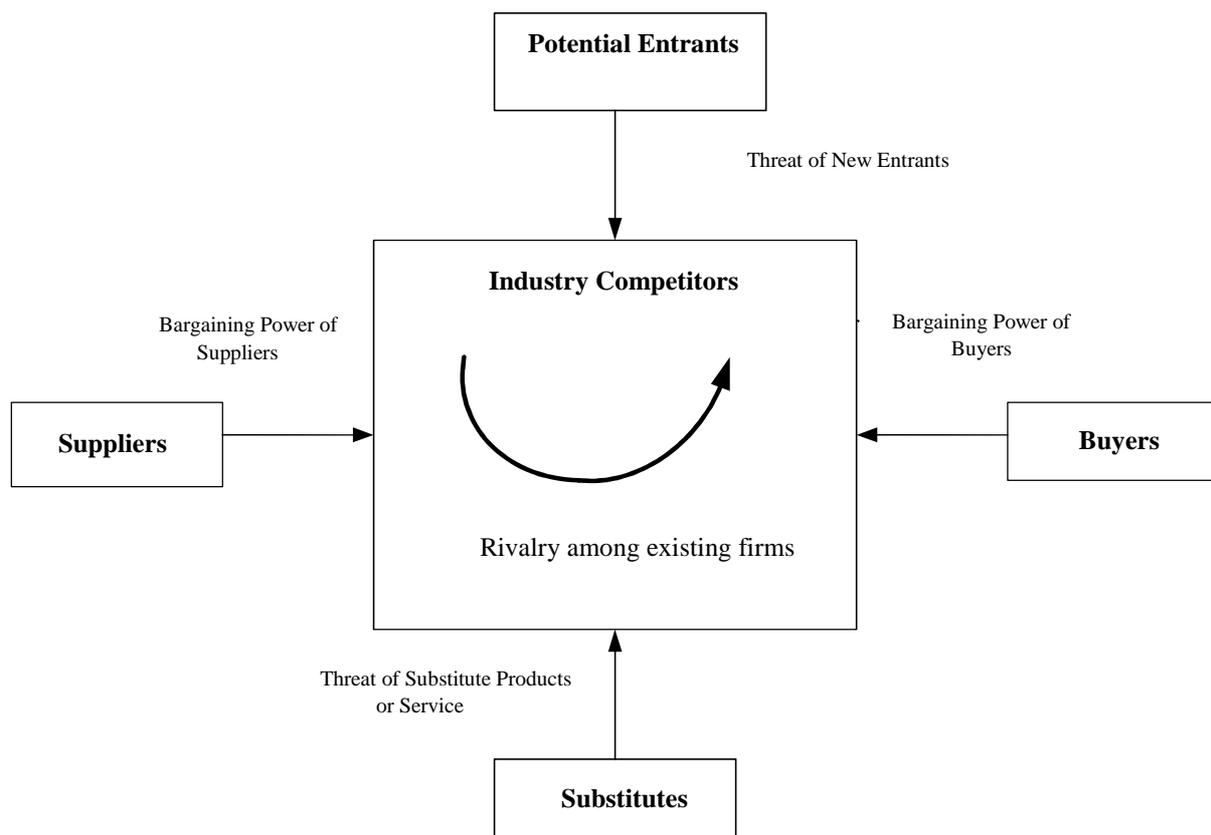
Three internal factors (top management, the dynamics between departments and organizational system) can be regarded as prerequisites for the success of market orientation implementation in a company. While the consequences or the results of its activities are considered measures of the performance of employees, as well as business performance. In addition, the business performance of companies is influenced by numerous environmental factors that positively or negatively affect the efficiency of the market orientation of the company. It is these environmental factors that are the ones that make each situation specific.

The development of market orientation is not only affected by factors specific to the company, but also by specific market factors, therefore Avlonitis and Gounaris grouped these factors into five categories (1999, p. 1011):

- the intensity of competition is characteristic for a specific market,
- difficulties that new competitor encounter entering the market, as well as leaving it,
- distribution of power between consumers and producers on one hand, and producers and suppliers on the other,
- the degree of technological change,
- growth rate (both from the past and those expected in the future).

Factors identified by Avlonitis and Gounaris have a lot of similarities with Porter's 5 factors of competitiveness: (1) the risk of new market participants, (2) the rivalry among existing firms in the industry, (3) the risk of substitution of products or services, (4) negotiating power of customers, (5) bargaining power of suppliers.

Figure 3. Five Factors of Competition



Source: E. M. Porter, *Competitive Advantage*, 2007, p.24.

Judging from the above, we can define the market orientation concept whose acceptance depends on two factors:

- the willingness of the company,
- the maturity of the market.

Companies whose market activities are carried out in the markets or in activities that are not fully open to competition, and are willing to apply the concept of market orientation that will be able to realize additional benefits through the creation of stronger and more durable relationships with customers. On the other hand, companies that operate in a highly competitive market, while at the same time due to internal unwillingness fail, are to slow the implementation of the concept of market orientation and will lose from the competition that is more agile in executing this process.

All this makes one think that the implementation of market orientation requires certain adjustments within the company in order to maximally exploit the positive effects of external factors and counteract the negative. In order to adequately control the influence of these factors, companies must continuously collect information about changes in the environment, and how this information will be used (whether the company will be able to derive maximum benefit from them) depends on the internal readiness of the company, or on the internal factors identified above. It is clear that all this together cannot be a one-time activity. In this regard, the market orientation of the organization can only be spoken about when the company reaches the point at which its business culture accepts this philosophy (Day, 1994, p. 42).

2 MODEL OF MARKET ORIENTATION

2.1 Models and techniques of measuring market orientation

In the mid-20th century, as already mentioned in this master thesis, market orientation enters the limelight of the scientific and business community. Since the idea of market orientation spread, the practical implementation of market orientation lacked guides relating to specific issues of what constitutes market orientation and how the effects of market orientation on the business performance of company measure. In the early 90's of the 20th century, scales were published for measuring market orientation, MKTOR by authors Narver and Slater (1990) and MARKOR by authors Kohli, Jaworski, and Kumar (1993), which initiated a number of research papers on the topic of the impact of this

philosophy on the business performance of companies, as well as employee satisfaction and customer relations.

It must be noted that even before the publication of the MKTOR and MARKOR scale, some authors tried to focus their studies on the measurement of market orientation (for example Churchill in 1979, Gerbing and Anderson, 1988) but the “used measures were often ad hoc and were developed based on a systematic procedures development scale” (Kohli, Jaworski, & Kumar, 1993, p. 467). After the announcement MKTOR and MARKOR scale different authors sought to develop their own methods for measuring market orientation (Deng & Dart in 1994, Atuahene - Gima, 1995; Fritz 1996; Lado, Maydeu - Olivares & Rivera, 1998; Gray et al., 1998; Oczkowski & Farrell, 1998; Harrison - Walker, 2001; Hooley et al., 2000; Hajjat, 2002; Cadogan, Diamantopoulos, & Siguaw, 2002; Varela and del Río, 2003; Bigné et al., 2004).

Some of the solutions were very similar to MKTOR and / or MARKOR scale. The method developed by Deng and Dart (1994) is very similar to MKTOR scale (many variables are the same). Kumar et al. (1998) constructed a scale by methods based on MKTOR, while Cadogan et al. (2002) offered his own method EMO whose basis was the MARKOR scale. Varela and del Río (2003) and Bigne (2004) offered methods that are implemented on the basis of MARKOR's. Other authors have tried to make their own methods of combining existing scales. Gray et al. (1998) offered his own method in which he fused the MKTOR, MARKOR and method of Deng and Dart, while Oczkowski and Farrell (1998) attempted to unify MKTOR and MARKOR. Given that a large number of methods of measuring market orientation rest precisely on MKTOR and MARKOR scale, and both of these scales are Likert-type scales, whose differences are in their conceptualization, their characteristics will be described in the following.

2.1.1 MKTOR scale measuring market orientation

As already indicated, the Narver and Slater (1990, p. 22) market orientation includes three behavioral components (orientation towards customers, orientation towards competitors and cross functional coordination of the two preceding elements) and two criteria for decision-making (focus on the long term and profitable goals).

Figure 4. Market Orientation



Source: J. C. Narver & S. F. Slater, *The Effect of a Market Orientation on Business Profitability*, 1990, p.23.

In other words, and as illustrated in Picture 4, in order for a company to maximize its long-term profit it needs to continuously create superior value for customers, and to do successful business it has to be oriented towards customers, oriented towards competitors and towards inter-functional coordination. The first version of the MKTOR scale for measuring market orientation included three behavioral components and two components for decision making. However, after the application of Cronbach's alpha coefficient¹ of two components for decision making are excluded, so that MKTOR today has 15 variables

¹ Cronbach's alpha coefficient measures the reliability of synthetic variables and indicates whether more variables can be used to form a single score. In fact, we often use several different variables to measure a phenomenon. Cronbach's alpha coefficient determines whether or not there is a link between selected variables, and it can be said to measure the same phenomenon. If Cronbach's alpha coefficient is greater than 0.6 we can say that there is a relationship between variables in a way that they form the components of a single score. If the removal of variable increases the coefficient, it generally means that this variable does not contribute to an overall score; in this case, you should consider the option that this item be excluded from the Likert scal.

based on the seven-level Likert scale. Orientation towards customers includes 6 variables, orientation towards competitor's 5 variables, and inter-functional coordination 4 variables.

2.1.2 MARKOR scale measuring market orientation

Although the MKTOR scale was thought to be one of the, until then, most comprehensive scales for measuring market orientation, and that it has many positive characteristics, Kohli, Jaworski and Kumar (1993, p. 467) put forward their criticisms of the scale, reflected in its:

- focus on customers and competition, in comparison with a view according to which in addition to these two factors, additional factors affecting the customer's needs and expectations (for example, technology, regulation, and the like),
- does not take into account the speed at which market intelligence is generated and spread within companies,
- includes a number of variables that cannot tackle the specific actions and behaviors that represent market orientation.

They point out that this view allows evaluation of the level of market orientation of a company, and they so forth created the MARKOR scale of measurement that contains 20 variables (at the beginning it originally had 32 variables, but their number was reduced in respect to the pre-test phase) based on five-point Likert scale. Like the previous scale, this scale also consists of three components, but it is conceptually different. The first component measures the acquisition of information through the six variables, the second relates to the dissemination of information in the organization as measured by 5 variables and the third relates to the planned and implemented response to this information, as measured by nine variables.

The authors were quick to point out that their conceptualization of market orientation includes an “expanded view of the market” (Kohli et al., 1993, p. 468), noting that two methodological scales can be an interesting area for future research, and as follows: (1) potential causal order between the various components of market orientation and (2) revision, dissemination and revalidation variable scale (Kohli et al., 1993, p. 473). As regards the application of this scale, the authors themselves have written that the validity of the variables is partially supported through research (Kohli et al., 1993, p. 473). Also they stated that the: “MARKOR scale initially may be used to establish a baseline of market orientation in strategic business units” (Kohli et al., 1993, p. 475), stressing that the greatest value of this scale, viewed from a managerial point of view, is its focus on actions taken regarding market orientation. For example, if the scale shows a low score in the

process of generating information, then additional analysis should identify specific areas in which it is possible to make improvements.

Most of criticism of the scale Kohli, Jaworski and Kuma are to the fact that the authors have failed to demonstrate the validity and reliability of the MARKOR scale (Farrell, Oczkowski, 1997, p. 32). In addition, Pelham directed his remarks towards the model according to which the understanding of the needs and expectations of consumers is based on the analysis of the information collected, rather than on a deeper analysis (1993, p. 21).

2.2 Comparison of MKTOR and MARKOR scales and choice of analysis methods

Farrell et al. (1997, p. 33) argue that, if one increases the thoroughness of checking variables using factor analysis, the results for both scales (MKTOR and MARKOR) are disappointing. Yet both scales are very well known and often used without verifying the validity or just on the validity offered by the authors (Siguaw, Brown, & Widing, 1994, p. 110; Greenley, 1995, p. 4), therefore a very small number of works critically take a look at these two multidimensional scales (Farrell et al., 1997, p. 30).

Consequently mentioned in this master thesis, in which the goal is to examine the degree of market orientation and organizational factors and the acceptance of this philosophy in public companies in BiH taking the public company “Elektroprivreda BiH” d. d. Sarajevo, as the example. The main instrument of data collection in the empirical part of the master thesis will be using existing scales and questionnaires as well as the MARKOR scale. The reason for the selection of MARKOR, and not the MKTOR scale is that the MARKOR scale evaluates reactivity and proactivity of the company, which cannot be achieved with the MKTOR scale (Gauzente, 1999, p. 80).

Specifically, the syntactic form of the MARKOR scale, in addition to the infinitive and present, use the conditional and future tense. In this way, through the questionnaire, respondents are encouraged to imagine and project potential business situations, which lead them to where we evaluate whether a company has the ability and competence to deal with these situations. On the other hand, the MKTOR scale is structured as a checklist in which the respondent can confirm or deny the existence of the current practices described in the company with the answers yes or no. The two scales are different in their conceptualizations. One is focused on the organizational aspect of market orientation (MARKOR), and the other on market orientation viewed from the perspective of the customer (MKTOR). However it should be noted that some authors performed a comparative analysis of both scales (MKTOR and MARKOR) and proved that the

reliability of the MKTOR scale is superior (Mavondo, Farrell, 2000, p. 239). Given the theoretical orientation of the master thesis in which emphasis is placed on the organizational aspect of market orientation, the MARKOR scale is more appropriate, and adequate to fulfill the degree of validity of the scale demonstrated in previous studies (Kohli et al., 1993, pp. 471-473; Farrell et al., 1997, pp. 34-35).

3 MARKET ORIENTATION IN THE PUBLIC SECTOR

3.1 The concept of market orientation in public companies

The public sector is the segment of the economy that is either state-owned or under contract with the state and includes those parts that are, in public interest, regulated and/or subsidized by the state (Flynn, 2007, p. 2). In general, the public sector is made up of government agencies and is controlled by the government controlled or was established by the government, companies and other entities that deliver public programs, goods or services (The Institute of Interlan Auditors, 2011, p. 3).

From this definition, it is clear that in some situations there are clear boundaries between the public and private sector, while the other lines are blurred. The public sector is much wider than the institutions that make up the government and often overlaps with non-profit organizations and the private sector. During the process of privatization some companies moved from state ownership to private ownership, but in some of them there is still a strong state interest, and therefore the involvement of the state in the manufacturing process of their products and services can still be significantly felt. An example of this situation is the railways. A large number of countries in advanced economies opted for the privatization of national railways; however the state has continued to subsidize the railways because it is interested in their performance. Similarly, with public transport, water supply and sewage, the electric power industry and other organizations that produce products or provide services of public interest.

Organizations that belong to the public sector can exist on any of the following four levels:

- international (a partnership of two or more States),
- national (state level),
- regional (provinces within the country),
- local (city or municipality level within the state).

Regardless of the level of organization, the public sector consists of at least three types of organizations (The Institute of Interlan Auditors, 2011, p. 4):

- government bodies - including all ministries and departments or government offices which are part of the internal structure - the legislature, councils, and cabinets of executive power,
- agencies - these are the organizations that are part of government and deliver public programs, goods and services, but exist as separate organizations or as legal entities and operate with a certain degree of independence,
- public companies - organizations that deliver public programs, goods and services, but they operate independently of the government and often have their own sources of income as an addition to the subsidy from the public budget. These companies often compete in the market and private companies can profit from them. In most cases, the government is its majority owner, and therefore these companies partially follow the laws and regulations of the government.

In addition to these three types of organizations that clearly belong to the public sector, there are two types of organizations that may belong to the public sector:

- state businesses - businesses that are owned by the government and which are controlled by the government, and sell goods and services on the market which are not considered programs, goods and services of public interest,
- public works - that are completely independent entities but which work on the basis of contracts by receiving public funds to deliver programs, goods and services of public interest that fall within their primary activity.

Every society should have a clearly defined public sector as the provision of their services to ensure the principles of the functioning of society (Kotler & Lee, 2007, p. 11). The services of public interest primarily include: the judiciary branch, military, police, education, firefighters, health care, maintenance of public hygiene, urban planning, management of natural resources, construction of roads etc... To a larger extent, the quality of public services depends on the fulfillment of the expectations of citizens. In this regard Kotler and Lee (2007, p. 15) argue that, in order to increase citizen satisfaction by increasing the level of fulfillment of their expectations, the public sector needs to improve its actual and expected performance, for which the necessary marketing tools are required.

In the past, marketing was marginal utility in the public sector. In the last decade, marketing in public services has attracted more attention. Kotler and Lee (2007, p. 13) have drawn parallels between commercials and marketing in the public sector, stressing that the commercial marketing approach is primarily focused on financial objectives,

which is often the primary focus of chosen market segments in which it can achieve its projected sales and profits. On the other hand, in the case of public sector marketing, segments are selected based on various criteria, including the distribution of social problems, ability to arrive at the audit, and the willingness to change. In both cases, the goal of marketers is to provide the highest return on the resources invested.

Since the public sector often tackles tough and unpopular issues (eg. smoking bans in public places, the obligation to pay income tax - areas that are unpopular for individuals but certainly ensure the welfare of the community) communication can be quite challenging (Kaplan & Haenlein, 2009, p. 199). An additional challenge for the public sector and the growing competition coming from the private sector (for example, in many countries, private schools are growing competitors and are taking the place of public universities) (Kaplan & Haenlein, 2009, p. 202).

In accordance with the requirements of modern times, Hood (1991, p. 11) introduced the concept of management in public administration and proposes a model of New Public Management (hereinafter: NPM). NPM is related to the implementation of concepts known in the management of private companies in public administration (Kaplan & Haenlein, 2009, p. 202). Hood through NPM attempts to explain the trends, which are observed to occur in administrative reform across OECD² countries.

By 1988 the management and NPM model were present as an idea in the UK, and after that it became increasingly important, even outside the United Kingdom (Rhodes, 1996, p. 655). Walsh (1994, p. 63) argues that consumerism became the center of change in the management of public services. According Vigodanu (2000, p. 188) in the NPM model, citizens are seen as clients, with an emphasis that the aim of the activities of the administration is to provide them with greater value for money through better response to their demands.

3.2 Determinants of market orientation in public companies

A more competitive environment with frequent and unpredictable changes partially affected the need to seriously think about the application of the principle of market orientation, even in the public sector, especially among public companies, which often

²Organization for Economic Cooperation and Development (English: Organisation for Economic Cooperation and Development, or OECD, French: Organisation de coopération et de développement économiques or OCED) is an international economic organization established on 14 December 1960. It was created as a successor of Organization for European Economic Cooperation (Organization for European Economic Cooperation ie. OEEC) created in 1948 as part of the Marshall Plan aimed at the reconstruction of the European economy destroyed in World War II.

compete with private companies. The basic idea of the NPM paradigm was that the public sector can be improved by applying management principles and techniques from the private sector (Hood, 1991, p. 12). According to Walker et al. (2011, p. 709) NPM draws heavily on market orientation, which was the dominant paradigm in the private sector. Gromark and Melin (2013, p. 1103) added to the NPM a dominant, almost monopolistic position, within the public sector. Denhardt and Denhardt (2000, p. 551) argue that the NPM, in its simplest form, is the work of the government viewed from the perspective of markets and consumers, pointing out that not only the techniques of implementation are transferred from the private sector in this paradigm, but also a set of values.

The effects of acceptance of market orientation in the private sector and its impact on the performance of organizations were the subject of interest of many researchers, as recounted earlier in this master thesis. As to the effect of practicing market orientation in public and non-profit sector, there are a significantly lower number of studies however some that stand out may be mentioned.

Cervera, Molla and Sanchez (2001, p. 1285) have argued that the strategy of market orientation has a positive impact on the performance of non-profit organizations. Rodriguez, Carrilat and Jaramillo (2004, p. 183) in their meta-analysis of the relationship between market orientation and business performance, found that managers of non-profit organizations can achieve comparative advantage by applying market orientation, given the fact that the public sector lacks the knowledge associated with this concept. Singh (2006, p. 13), in his study, which took a sample of 33 public libraries in Finland, came to the conclusion that market orientation significantly positively affects the quality of services. In the context of these topics of specific interest are the results obtained in the public sector in Poland on a sample of 450 respondents, which showed that market orientation positively corresponded to the income of companies, and that its acceptance depends on the size and professional orientation of management companies (Kowalik, 2011, p. 74). Very interesting results came from the work of Rodrigues and Pinho (2012, p. 301), who during their empirical studies come to the conclusion that market orientation significantly corresponded to the financial and non-financial performance of local public company in Portugal. That is in the public sector, such as in the private sector, the role of top management is crucial for the acceptance of market orientation emphasized by Dwairi, Akour and Sayyer (2012, p. 504).

However, the complex nature of publicly organized services, identification of target users and the level of relationship between the management - the user can interfere with the applicability and implementation of market orientation in the public sector (Boyne, 2002, p. 98). Gromark and Melin (2013, p. 1103) have argued that the application of market orientation outside of the private sector is not without its own problems, identifying that

the central difference between public and private sector is the perception of customer satisfaction. Specifically, while the private sector sees customer satisfaction as value in and of itself, the public sector is more focused on creating long-term value for the whole society.

Another problem is that the market orientation refers to the orientation towards the market (Liao, Foreman, & Sargeant, 2001, p. 256), and it is not suitable for a large number of public sector organizations that are not considered to be operational in the market. Walsh (1994, p. 68) makes the point of using the notation “user” in the public sector, stressing that citizens are the ones who vote. That is how the attempt to adapt the concept of market orientation in the context of the public sector changed, and as a result some authors have proposed the concept of societal orientation, in which the notion of the user replaced the notion of stakeholders and goals, to replace profit (Duque - Zuluaga, Schneider, 2008, p. 33). However, the conceptualization of social orientation has failed to demonstrate its potential value (Gromark et al., 2013, p. 1104). Other authors have simply adapted the name of market orientation and inacted the adaptation of its principles in public administration, calling it community orientation (Pandelică, Diaconu, & Pandelică, 2012, p. 18). Macedo and Pinho (2006, p. 549) argue that organizations in the public sector lack adequate and well-defined policies, and strategies that will enable better application of the concept of market orientation.

Notwithstanding these criticisms, public sector reforms are necessary and the NPM model has practical applications, the successful and less successful examples, which again depend on more than a set of specific situational factors rather than from concept models.

3.3 The public sector in Bosnia and Herzegovina

The public sector in Bosnia and Herzegovina, including the institutions of legislative, executive and judicial authorities, public administration and all activities in which the state, entities, cantons, Brčko District, cities and municipalities have jurisdiction on the basis of legal and property rights, such as education, health, pension - disability and social care, public companies or companies with public capital, natural and cultural resources, and the like (Center for Public Interest Advocacy [Public Interest Advocacy Center], retrieved September 01, 2014).

The legal institutions belong to representative bodies at all levels, including:

- at the state level to the Parliamentary Assembly of Bosnia and Herzegovina (consisting of the House of Representatives and House of Peoples),

- the entity level to the Parliament of the Federation of Bosnia and Herzegovina (made up of the House of Representatives and House of Peoples) and the National Assembly of Republika Srpska,
- at the cantonal level and the level of District Brčko, there are Assemblies, which consists of elected representatives,
- at the level of cities and municipalities that are city / municipal councils that make up the elected councilors / board members.

Executive government institutions in Bosnia and Herzegovina, the Council of Ministers of Bosnia and Herzegovina, government entities, cantons and Brčko District, mayors and heads of municipalities. Administrative and professional activities carried out by public institutions at state, entity, cantonal and local level. Judicial institutions are courts (organized at the state, entity, cantonal, district and local level), prosecution (organized at the state, entity, cantonal, district and Brčko District), and the High Judicial and Prosecutorial Council (what is an independent and autonomous body, responsible for the appointment of judges and prosecutors and other tasks that need to provide independent, impartial and professional judiciary in Bosnia and Herzegovina). Activities of public interest such as education, health care, pension - disability and social protection, employment and culture are carried out as public affairs at the entity, cantonal and local levels, and performed by funds, and other institutions, whose founders are certain levels of government.

In addition, certain economic activities are carried out in companies and companies with majority public capital to the entity, cantonal and local level. Public companies and companies with majority public capital were organized in the field of telecommunications, post office, railway and air transport, electric power, forestry, water utilities and other activities

Public enterprise is defined by the special law on public companies that are at the entity level. The law regarding Public Enterprises of Republika Srpska (hereinafter: RS), Article 2, Revised text (“Official Gazette of Republika Srpska”, no. 75/04 and 78/11) reads: “A Public company within the meaning of this law is a legal entity that is registered in the Register as an economic society in the form of a joint stock company or a limited liability company, to perform activities of general interest and who share capital of the RS or local governments directly or indirectly has a majority ownership. The provisions of this Law shall apply to enterprises in the ownership structure and have at least 50% plus one share or interest in the property of RS and which employ more than 50 persons”.

According to the Law on Public Companies in the Federation of Bosnia and Herzegovina, Article 2, Revised text (“Official Gazette of BiH”, no. 8/05, 81/08, 22/09 and 109/12)

states that: “A Public Enterprise, According to this Law, is a legal entity that is registered in the Register as a commercial entity and who performs the activity of the public Interest (energy, communications, public utility services, management of public goods and other activities of the public Interest) or legal entity is defined as a public company specific regulation. Activities of Public Interest determine municipalities, Canton and the FBiH, each within its jurisdiction”.

The Government of the FBiH adopted the decision on establishing the activities of public social interest of the Federation of Bosnia and Herzegovina carried out by public companies in which the Federal Ministry of Energy, Mining and Industry performs authorization of state capital (“Official Gazette of BiH”, No. 8/10), which established that the energy in the electricity and gas activities in the general social interest of the Federation of Bosnia and Herzegovina, and that the public enterprises engaged in these activities in the jurisdiction of the Federal Ministry of Energy, mining and Industry: JP “Elektroprivreda” BiH d. d. Sarajevo, JP “Elektroprivreda” Hrvatske zajednice Herceg Bosne (hereinafter: HZ HB) d. d. Mostar and BH-Gas d. d. Sarajevo. In this master thesis, we will focus on the public company “Elektroprivreda BiH” d. d. Sarajevo on which case we will examine the level of market orientation and the influence of organizational factors on the acceptance of this paradigm.

3.3.1 Basic data on the operations and organization of the public company “Elektroprivreda BiH” d. d. Sarajevo

The public company “Elektroprivreda BiH” d. d. Sarajevo is a joint stock company with a share capital of 2.24 billion KM, in which the Federation of BiH has shares in the amount of 90% of the share capital. The remaining 10% of share capital is owned by investment funds and other legal and natural persons (Sarajevo Stock Exchange - Stock Exchange [The Sarajevo Stock Exchange], retrieved September 06, 2014).

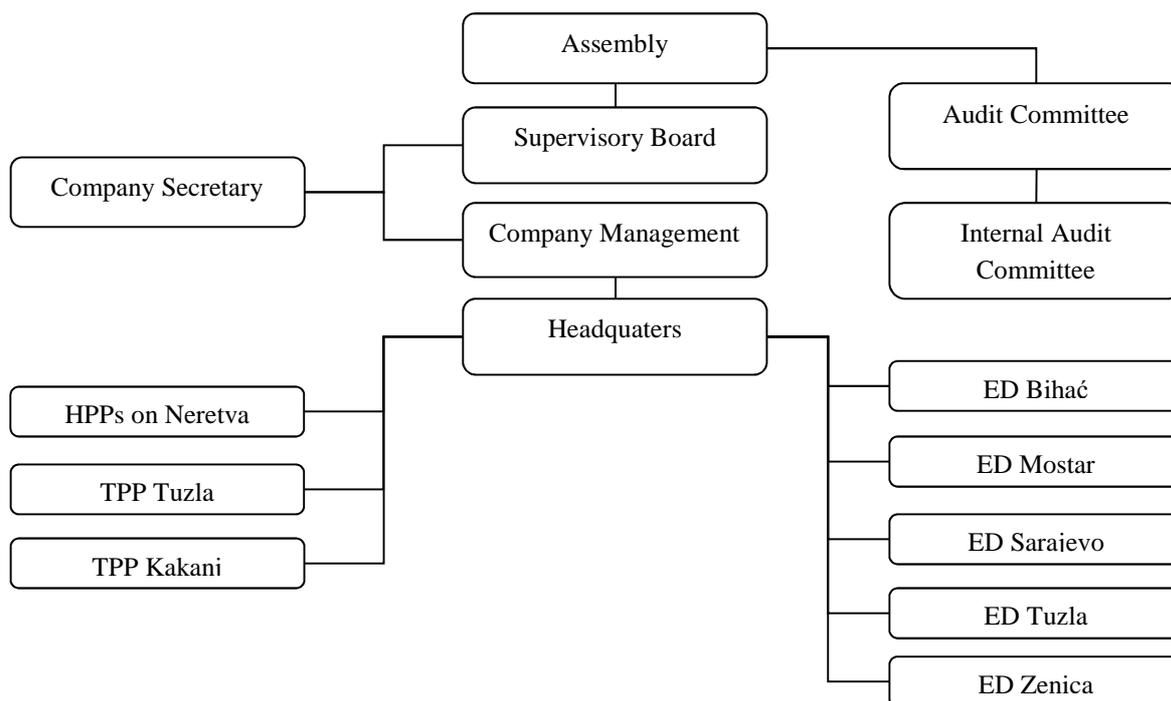
Public company “Elektroprivreda BiH” d. d. Sarajevo has a total capital net of 2.9 billion KM, employs approximately 5,000 employees and supplies electricity to over 720,000 customers in seven cantons in the Federation of BiH. The total income of the Company exceeded one billion KM (Public Company “Elektroprivreda BiH” d. d. Sarajevo, 2014). The company has its core business of production, distribution, supply and trading of electricity, as well as other activities, carried out in Bosnia and Herzegovina. The mission of the public company “Elektroprivreda BiH” d. d. Sarajevo is to manufacture and supply of electricity, thermal energy and coal at defined quality standards and provide services that will fully satisfy customer requirements. Their intention is to restructure the company according to European regulations and the application of best corporate practices, constant professional training of employees with the skills development of teamwork, and process optimization.

The vision of the public company “Elektroprivreda BiH” d. d. Sarajevo is that the entity is constantly developing new methods to improve the performance of business in order to reach the leading position in the electricity market in the region and to meet current and future demand of electricity and heat customers per the defined quality standards. EP BiH are investing in the modernization and development and realize capital investments, paying special attention to investing in power generation from renewable energy sources, increasing the flexibility of the energy portfolio and energy efficiency.

In the ownership of the public company “Elektroprivreda BiH” d. d. Sarajevo are seven mines, and four other companies involved in other activities. In this regard, the organizations in which it has majority ownership, public company “Elektroprivreda BiH” d. d. Sarajevo is connected to the concern in which this company is called the parent company, and other organizations are called subsidiaries. The affiliated companies employ about 10,000 employees. Currently the public company “Elektroprivreda BiH” d. d. Sarajevo is organized on a functional, procedural level and on a territorial principle and consists of eight branches:

- hydroelectric power plants on Neretva, Jablanica,
- thermal power plant “Kakanj” Kakanj,
- thermal power plant “Tuzla”, Tuzla,
- branch “Power Supply” of Bihać,
- branch “Power Supply” Mostar,
- branch “Power Supply” Sarajevo,
- branch “Power Supply” Tuzla,
- branch “Power Supply” Zenica.

Figure 5. Organizational structure of public company EP BiH



Source: Elektroprivreda BiH d.d. Sarajevo, Annual report, 2013, p.10.

The Directorate (headquarters) is organized in order to perform common functions for EP BiH as a whole, for the needs of individual electricity industry and the needs of its subsidiaries. The Directorate is responsible for the professional management and coordination of the electric power industry and other business functions of support that are executed in the subsidiaries.

The EP BiH is organized in three branches of production and five subsidiaries that perform activities of distribution and supply of electricity, and in some cases production from small hydropower plants.

3.3.2 The electricity market in Bosnia and Herzegovina with regards to the position of the public company “Elektroprivreda BiH” d. d. Sarajevo

The activity of electricity supply means delivery of electricity to final customers. In addition to the three electrical sectors, in the single register of electricity traders with a valid license or permit to trade in electricity, it was recorded that 27 companies can be in business from the beginning of 2014. In addition, three buyers have permission to import energy for their own use (SERC, 2013, p. 10). The retail portion of the market is the responsibility of the entity authorities and regulators. The entity regulators have so far

released a total of 23 licenses that provide supply to final customers, and introduced regulations that allow qualified consumers the right to change supplier. The transfer electricity from the transmission network in 2013 amounted to 11,731.96 GWh, and Table 1, provides an overview of acquisitions by subjects.

Table 1. Energy taken from the transmission network in 2013 by entities (GWh)

Company	In GWh	In %
Elektroprivreda BiH	4.446,12	38
Elektroprivreda RS	3.573,46	30
Elektroprivreda HZHB	2.538,80	22
Komunalno Brčko	288,64	2
Aluminij	884,94	8
BiH Total	11.731,96	

Note The amount shown relates to the electricity bought by Aluminij as a qualified buyer*

Source: The State Electricity Regulatory Commission (SERC). *Report on the activities of state regulatory commission for electricity, 2013, p. 23.*

Users of electrical energy are organized by total energy usage into the following groups and categories.

Table 2. Number of customers of electricity per supplier in BiH

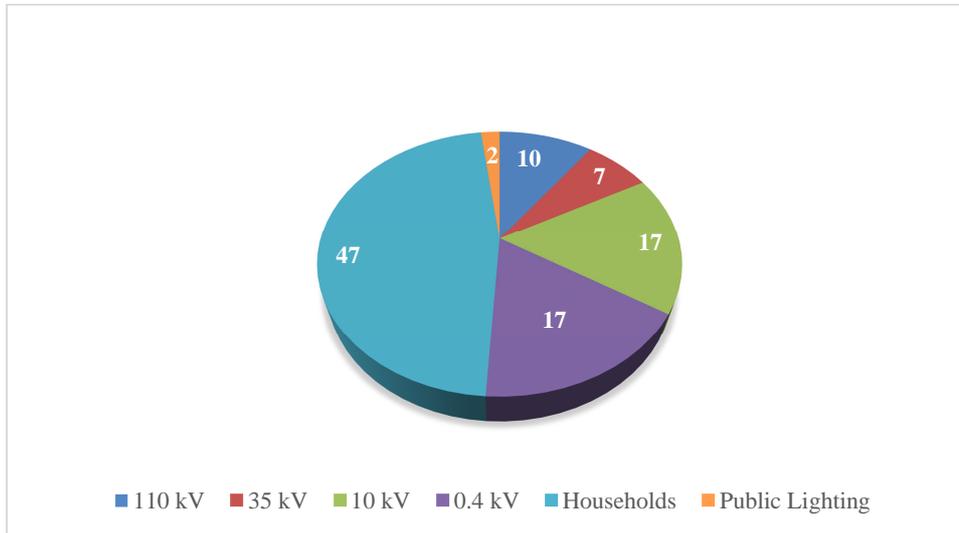
	110 kV	35 kV	10 kV	Remaining Usage 0.4 Kv	Households 0.4 kV	Public Lighting 0.4 kV	Total
Elektroprivreda BiH	5	58	756	60.415	659.705	3.668	724.607
Elektroprivreda RS	8	32	837	34.689	503.661	1.054	540.281
Elektroprivreda HZHB	3	1	165	14.531	173.488	1.812	190.000
Komunalno Brčko		1	13	4.200	32.698	414	37.326
Total	16	92	1.771	113.835	1.369.552	6.948	1.492.214

Source: The State Electricity Regulatory Commission (SERC). *Report on the activities of state regulatory commission for electricity, 2013, p. 26.*

Thus, Table 1 and Table 2 show that EP BiH is largest power company and serves the largest number of end users of electricity. EP BiH with the transmission network in 2013 took over 4.446,12 GWh of electricity, which represents 38% of total consumption in BiH. In 2013, consumption of tariff customers EP BiH amounted to 4.419 GWh, of which 66% related to low voltage. Total revenue from the tariff customers amounted to 643 million, of

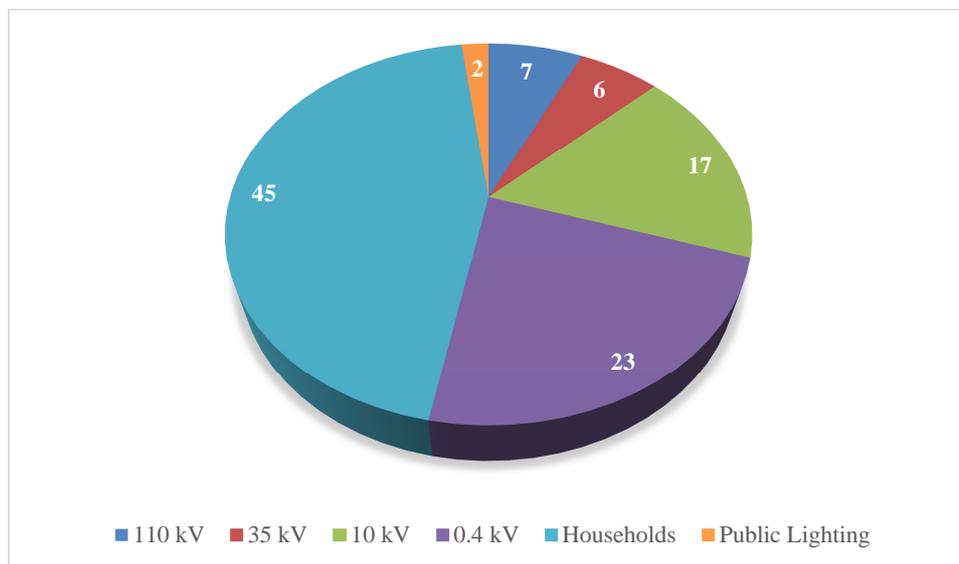
which the users of low voltage apply 70%. The total number of customers at the end of 2013 amounted to 724.607, of which the high voltage users amount to 5, medium voltage 814 and low voltage 723.788 customers.

Figure 6. The structure of consumption by category in %



Source: Annual report of JP "Elektroprivreda BiH" d. d. Sarajevo 2013, 2013, p.21.

Figure 7. Structure of revenue by category in %



Source: Annual report of JP "Elektroprivreda BiH" d. d. Sarajevo 2013, 2013, p.21.

3.3.3 Regulation of the electricity market in Bosnia and Herzegovina

The energy sector is in the process of deregulation and liberalization, and in the near future full market opening is expected. The Law on Electricity in FBiH (published in the “Official Gazette of BiH” No.66 / 13 of 28.08.2013. Year), which entered into force on 05.09.2013, among other things, regulates the development and regulation of the electricity market, as well as the legal framework for the creation of conditions for the development of the electrical market. This confirms the obligation to implement the “third package” of European Union (hereinafter: EU) directives relating to the electricity sector, as well as the deadlines established for members of the Energy Community.

Among the objectives of the law, it is prescribed, among other things, the inclusion in the international electricity market through a single electricity market in BiH. It is defined that the electrical activities on the market will be performed according to rules governed by market relations, which there is the possibility of free negotiated quantity, price and delivery terms of energy, the conclusion of short-term and long-term contracts or participation in the organized market.

The end customers can be unqualified and qualified. Non-qualified buyers are supplied by the supplier at regulated tariffs set by the regulatory commission. Eligible customers have the option to choose a supplier and are supplied by the contracting unregulated tariffs. In BiH this right was granted only to non-household customers, but from 1.1.2015., the households become qualified buyers, and that date can be considered as the date of fully market opening in Bosnia and Herzegovina.

The law defines the concept of public service, or obligation of power companies to provide a guaranteed level of customer service. As part of the public service, universal service was established relating to the obligation to supply certain households and small commercial customers at the rates set by the entity regulatory bodies. This service is done automatically if the buyer from these categories did not decide to choose a supplier of market conditions. In order to prepare electric power enterprises for the upcoming competition, as well as the privatization process, the Government of the Federation of BiH 06.03.2014. adopted a program of restructuring the power companies in the majority ownership of this entity, which stipulates that this process is carried out in three phases:

- phase 1 (Accounting and management separation of electricity activities within the EP BiH and the legal separation of distribution activities through the formation of a subsidiary that would deal exclusively with the distribution of electricity (DSO - distribution system operator),
- phase 2 (Commercialization and additional analysis),

- phase 3 (Incorporation).

Due to the complexity and the volume of activity on restructuring (and in terms of the adoption process, and from the point of the stakeholders', as well as the very pronounced role of Trade Unions) the realization of planned activities on schedule is very tight and there is a very real possibility of prolongation. However, an internal project team of the public company "Elektroprivreda BiH" d. d. Sarajevo, in cooperation with the consulting team AT Kearney made the relevant documentation for the organizational transformation of this company in (Sokolović, et al., 2013, p. 5):

- the parent company public company "Elektroprivreda BiH" d. d. Sarajevo, that would deal with trade in electricity, management development Concern EP BiH, guiding strategy and global management of the construction of production of electric power facilities,
- subsidiaries of the electricity industry (Manufacturing Inc; Distribution d. d.; Supplying d. d.).

The suggestion to reorganize the public company "Elektroprivreda BiH" d. d. Sarajevo (Bosnia and Herzegovina Concern EP) was prepared as an optimal combination of the best practices in Europe, the environment and the current situation in which the public company "Elektroprivreda BiH" d. d. Sarajevo is located, based on the following key factors and commitments (Sokolović, Corak, & Larsen, 2013, p. 7):

- During the restructuring of the relevant EU Directive the best practice in energy sector companies in Europe indicate the legal separation of electricity activities. Although according to the EU directive it is necessarily the only legal separation of distribution and accounting separation of other electricity activities, best practices suggest that the implementation of the concept itself is not enough to divide accounting activities so that they function independently in such a way as to maximize their business efficiency.
- In order to achieve maximum productivity of individual activities needed to give them a certain degree of autonomy to be able to manage operational issues, so that the subsidiaries for the power industry, which will have a top economic and legal independence, the optimal solution. When creating such an organization, it is crucial to define the strategic aspect of the business to the parent company by which the parent company will have control and strategic functions, as well as supervision over the operations of subsidiaries. When creating subsidiaries for the electrical industry it is crucial to separate the technical processes of supporting business processes in a way to support centralization within the dependent society.

3.4 Research hypothesis

The World Bank in its report *Doing Business in 2013*, the economy of Bosnia and Herzegovina ranked at 126th place out of 185 countries in the world, which is the worst position in the region (World Bank, 2013, p. 3). With such a poor position, Bosnia and Herzegovina as a state is not an attractive destination for foreign investors as a result of the inefficiency of public authorities, delays in the implementation of reforms and the slow economic adjustment (Center for Policy and Management [Centre for Policy and Governance], p. 19). One of the key criteria for the accession of Bosnia and Herzegovina to the EU is the ability of the domestic economy to withstand competitive pressures in the EU internal market and the existence of a market economy in the country. In this respect, a key task of all institutions supporting the economy is strengthening its competitive position (Foreign Trade Chamber of BiH [Foreign Trade Chamber of B&H], 2014, p. 13).

The theoretical framework of this master thesis clearly demonstrates the significant impact of market orientation on business performance organizations, and to create and maintain a competitive advantage in the market, but also that different internal and external factors affect its acceptance. Although a large number of research papers have been published on this topic, as evidenced by the voluminous literature regarding this topic, when it comes to the local market of Bosnia and Herzegovina, to our knowledge, studies are scarce. Kurtović, in his empirical research from 2007, in which 500 companies took part in the study and by the criteria of sectorial and regional affiliation, sought to investigate the level of market orientation of companies in Bosnia and Herzegovina. The author concluded that the average company is only marginally market-oriented and it takes a lot of organization - management efforts to increase that level of market orientation (Kurtović, 2007, p. 114). When it comes to knowledge and research results in the context of the topics mentioned in the available literature, there is no significant Bosnian and Herzegovinian research on market orientation in companies in the public sector.

As of this moment, the current issue of reconstructing the EP BiH, based on the program adopted by the Government of FBiH, in order to strengthen its competitiveness and attractiveness as a preparation for the privatization process, is more than an obvious justification to test market orientation in this public company. All the above indicates that the activity in which it operates EP BiH will experience significant changes in the coming period and that, due to these external factors, the company will be strongly influenced by market liberalization, deregulation and the emergence of competition. Thus, EP BiH as the single supplier in a particular area will become just one of many suppliers who will fight at market conditions for buyers. All this requires substantial changes in corporate policies and procedures work, or seeking a quick adjustment and transition from a regulated to a market business. In this regard, one can define the purpose of the research concerning the analysis

of the degree of market orientation and identify organizational factors that influence its acceptance in the public company “Elektroprivreda BiH” d. d. Sarajevo. Bearing in mind the complexity and purpose of the research work, the main hypothesis (hereinafter: MH) of the research is:

MH: Public company “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation, which is caused by a variety of organizational factors.

The main hypothesis implies and sets the following additional hypothesis (hereinafter: AH):

AH1: “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation.

AH2: It is possible to identify organizational factors influencing the low level of market orientation of the public enterprise “Elektroprivreda BiH” d. d. Sarajevo.

AH3: An evaluation by consumers indicates a low degree of market orientation of the public enterprise “Elektroprivreda BiH” d. d. Sarajevo.

Directly and closely related to the problem and the subject of research set out the objectives of research:

- analyze the level of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo based on different dimensions: generation of market information, information dissemination, and responsiveness of the company,
- identify and analyze the intensity and nature of the impact of management on the market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo,
- identify and analyze the intensity and nature of the impact of inter-sectorial relationships in the market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo,
- identify and analyze the intensity and nature of the impact of the organizational system on the market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo.

4 EMPIRICAL EXPLORATION IN THE CASE OF THE PUBLIC COMPANY “ELEKTROPRIVREDA BIH” D. D. SARAJEVO

4.1 Dynamics and research methodology

With the aim of identifying the degree of market orientation and organizational factors affecting the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo, a survey was taken between August 2014 and October 2014. The research was done in cooperation with the active employees and active users of the public company “Elektroprivreda BiH” d. d. Sarajevo, from Bosnia and Herzegovina. In the survey, the respondents participated in a variety of demographic characteristics. This master thesis used a random sample method.

The research was done directly, which means that the respondents (this especially applies to employees) were notified in advance that they will undergo an interview, after they were notified they got the link of a questionnaire on e-mail and then they started with answering the questions. Another method used is that we organized a sharing of the questionnaire on which employees could respond anonymously. Similar approach was used with the users of EP BiH, but in this case the most used approach was Facebook. Another way used in questioning the users was sharing a questionnaire in the neighborhood, to friends and acquaintances. The respondents needed 10-15 minutes to complete the questionnaire. In order to comply with the ethical principles of research, respondents were given the contact information of the research leaders, in case they had any further questions. Respondents were provided with an adequate level of anonymity in order to increase the reliability and honesty of their answers.

Emphasize was put on the research on the market orientation of public companies from the perspective of customer, and consumers services, however this initial research cannot be taken as reliable and safe, but it can however show interesting results. Due to the specific company itself and its position in the market, have a better way to approach the company and acquire more reliable informations on which one could draw conclusion was sought, but I emphasize once again that this is the first master thesis of its kind on this topic in the region and for the part of the work relating to the investigation should be taken with reserve.

4.1.1 Research sample – employees of the public company EP BiH

Based on the defined objectives and hypotheses of empirical research, the sample was chosen to be representative of the active employees and customers of the public company “Elektroprivreda BiH” d. d. Sarajevo. To make the sample as representative as possible in the sample are different demographic characteristics of respondents. The sample involved 276 employees and 314 users of the public company “Elektroprivreda BiH” d. d. Sarajevo. Taking into account that the company “Elektroprivreda BiH” d. d. Sarajevo doesn’t have the organizational structure developed, department for marketing management that functionally “covers” all activities that entail market orientation of the company, in the sample of active employees includes employees from other organizational units of the company “Elektroprivreda BiH” d. d. Sarajevo. The reason for the above is an insufficient number of employees who work directly in the affairs in the field of marketing which will be formed by surveying a sample of adequate size, and allow valid and reliable quantitative data processing. Accordingly in the sample, employees were involved from various organizational units of the company “Elektroprivreda” Inc. Sarajevo (Department for economic affairs, Department for production, Department for business development, Department for distribution) who directly cooperate and are largely familiar with the activities and business processes of employees from the department of sales and marketing ie. their marketing strategy. As far as the demographic characteristics of the employees, they are described below descriptively in tables.

Of 276 respondents (employees) in the sample, 168 or 60.90% are male, while 108 female (39.10%). The results are presented in table.

Table 3. Gender of respondents (employees of the public company EPBiH)

“Gender”	Employees	
	No.	%
Male	168	60,90
Female	108	39,10
Total	276	100,00

When it comes to the age of employees, the majority of respondents in the sample were over the age of 48 years (120 of them or 43.50%). The results are presented in the table.

Table 4. Average age (employees of the public company EP BiH)

“Age”	Employees	
	No.	%
≤ 20	5	1,80
21-27	0	0,00
28-34	24	8,70
35-41	60	21,70
42-48	67	24,30
≥48	120	43,50
Total	276	100,00

As for the level of education of the respondents, the majority of them in the sample had finished the 2nd cycle of their studies, these employees number 124 or 44.90%. The results are presented in table.

Table 5. The educational level of respondents (employees of the public company EP BiH)

“Level of education”	Employees	
	No.	%
Elementary school	5	1,80
Vocational school	25	9,10
Bachelor	103	37,30
Master	124	44,90
Doctoral	19	6,90
Total	276	100,00

As for the current position of the respondents in the company, the majority of them in the sample are at the position of professional advisors (87.70%). The reason why the most respondents in the sample are at the position of a professional advisor is the organizational structure of the employees in the company “Elektroprivreda BiH” d. d. Sarajevo because the majority of respondents perform the said function. As previously mentioned the same respondents are selected in the sample because there is an insufficient number of employees who work directly in the affairs in the field of marketing which will be formed

by surveying a sample of adequate size, and allow valid and reliable quantitative data processing. The results are presented in table.

Table 6. Current positions occupied by respondents (employees of public enterprises EP BiH)

“Current position”	Employees	
	No.	%
Upper management	14	5,00
Middle management	20	7,30
Professional advisors	242	87,70
Total	276	100,00

As for the department in which respondents are employed, most of them in the sample were employed by the Department of Economic Affairs (32.20%). The results are presented in the table.

Table 7. Department (employees of the public company EP BiH)

“Department”	Employees	
	No.	%
Department for economic affairs	97	35,20
Department for sales and marketing	32	11,60
Department for production	68	24,70
Department for business development	24	8,70
Department for distribution	55	19,90
Total	276	100,00

Taking into account that the company “Elektroprivreda BiH” d. d. Sarajevo doesn’t have the organizational structure developed, department for marketing management that functionally “covers” all activities that entail market orientation of the company, in the sample of active employees includes employees from other organizational units of the company “Elektroprivreda BiH” d. d. Sarajevo. The reason for the above is an insufficient number of employees who work directly in the affairs in the field of marketing which will

be formed by surveying a sample of adequate size, and allow valid and reliable quantitative data processing.

Accordingly in the sample, employees were involved from various organizational units of the company “Elektroprivreda BiH” d. d. Sarajevo who directly cooperate and are largely familiar with the activities and business processes of employees from the department of sales and marketing ie. their marketing strategy. As far as the average length of service of the respondents (employees of public enterprises “Elektroprivreda BiH” d. d. Sarajevo) at the current position, it amounts to 9 years and 5 months.

4.1.2 Research sample - users of the public company EP BiH

As far as the demographic characteristics of the service users, it is described below by using tables and graphs.

Of 314 respondents (service users) in the sample, 129 or 41.10% are male, while 185 are female (58.90%). The results are presented in the table.

Table 8. Gender of respondents (users of public company EP BiH)

“Gender”	User	
	No.	%
Males	129	41,10
Females	185	58,90
TOTAL	314	100,00

When taking into account the age of the energy users, the majority of respondents in the study fell into the age group between 28 and 34 years of age (108 of them, rather 34,39%). The following results are presented in the table.

Table 9. The age of respondents (users of public company EP BiH)

“Age”	Users	
	No.	%
≤ 20	20	6,40
21-27	87	27,70
28-34	108	34,39
35-41	36	11,46

(continued)

42-48	39	12,42
≥48	24	7,64
Total	314	100,00

As far as the education level of service users, most of them in the sample have completed the 1st cycle of their study, they amount to 170 or 54.10%. The results are presented in the table.

Table 10. The education level of respondents (users of public company EP BiH)

“Level of Education”	Users	
	No.	%
High school	89	21,70
Vocational School	28	8,90
Bachelor	170	54,10
Master	44	14,00
Doctoral	4	1,30
Total	314	100,00

With regards to the current occupation of users, the majority of them are students, rather 131 of them or 41,72%. The information is presented in the following text as a table.

Table 11. Current occupation of respondents (users of public company EP BiH)

“Current occupation”	Users	
	No.	%
Employed	107	34,08
Unemployed	52	16,56
Student	131	41,72
Retired	24	7,64
Total	314	100,00

As for the monthly income of service users, the largest number of them in the sample had the same amount from 451-900 KM, 122 of them or 38.90%. The results are presented in the table.

Table 12. Monthly income of respondents (users of public company EP BiH)

“Monthly income”	Users	
	No.	%
To 450 KM	88	28,00
From 451 to 900 KM	122	38,90
From 901 to 1350 KM	84	26,80
From 1351 to 1800 KM	12	3,80
Over 1800 KM	8	2,50
Total	314	100,00

The average length of use of services of the public company “Elektroprivreda BiH” d. d. Sarajevo was 14 years and 11 months.

As far as the average cost of the monthly bill for service users of the public company “Elektroprivreda BiH” d. d. Sarajevo, most of them in the sample said that it amounted to 31-60 KM, or rather 126 of them or 40.10%. The results are presented in the table.

Table 13. The cost of the monthly bill of respondents (users of public company EP BiH)

“Cost of the monthly bill”	Users	
	No.	%
To 30 KM	4	1,30
From 31 to 60 KM	126	40,10
From 61 to 90 KM	100	31,80
From 91 to 120 KM	64	20,40
Over 120 KM	20	6,40
Total	314	100,00

4.1.3 The content and design of the questionnaire

In order to research the attitudes of respondents (employees and service users of the public company “Elektroprivreda BiH” d. d. Sarajevo) a dedicated questionnaire was designed in accordance with the objectives and hypotheses of the master thesis. First, on the basis of the literature used, specifically for the purposes of our research when creating a questionnaire for employees and service users, we used the original MARKOR scale created by Jaworski and Kohli (1993, pp. 65-68) for measuring market orientation of companies, ie. Its dimensions: generation of market information, information dissemination, and responsiveness of the company, as well as the determinants of market orientation: management (the tendency of top management towards market orientation and inclination to take risks), cross-sectorial relations (links within the sector and the tendency of conflicts within the sector), and organizational system (degree of formalization, centralization levels, and reward system). It is important to note that for our master thesis we used MARKOR scale created by Kohli and Jaworski (1993) for research market orientation of the public company "Elektroprivreda BiH" d. d. Sarajevo.

The questionnaire to measure the attitudes of employees of the public company “Elektroprivreda BiH” d. d. Sarajevo totally consists of 10 questions. The first six questions relates to the demographic characteristics of employees: gender, age, level of education, current position in the company, division of the company, and years of service at the specified position. Question number 7 was related to market orientation (total 20 items), question number 8 related to management (7 items), question number 9 on the cross-sectorial relations (a total of 6 items), and question number 10 on the organizational system of the public company “Elektroprivreda BiH” d. d. Sarajevo (total of 9 issues).

The questionnaire to measure the attitudes of service users of the public company “Elektroprivreda BiH” d. d. Sarajevo totally consists of nine questions. The first 8 questions related to demographic characteristics of respondents: gender, age, level of education, current occupation, monthly income, status using the services of “Elektroprivreda BiH” d. d. Sarajevo, length of using the services of “Elektroprivreda BiH” d. d. Sarajevo, and the cost of the use of services “Elektroprivreda BiH” d. d. Sarajevo. Question No. 9 was related to the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo (totally 10 items).

4.2 The level of market orientation of the public company EP BIH

The results of statistical analysis, presented below, show the attitudes of respondents (active employees and users of public company “Elektroprivreda BiH” d. d. Sarajevo) in the context of:

- degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (generating market information, information dissemination, and responsiveness of the company),
- degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of service users.

4.2.1 The degree of market orientation of the public company EP BiH from the perspective of employees

When it comes to the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (generating market information, information dissemination, and responsiveness of the company), below are presented results of statistical analysis of data on the scale of 20 items (1 - strongly disagree, 5 - strongly Agree). The following table presents the minimum and maximum values, the mean and standard deviation values recorded in the sample with respect to each of the 20 items.

Table 14. Market orientation (employees of the public company EP BiH)

Variables	N	Min	Max	Average	Standard deviation
In our business unit, employees at least once a year meet the needs of our customers in the context of products and services that will be needed in the future.	276	1	5	3.21	1.038
Variables	N	Min	Max	Average	Standard deviation
Employees in the department of creating products and services directly communicate with users to better meet their needs.	276	2	5	3.16	0.964
In our branch unit it is often conducted “in-house” research.	276	1	5	2.86	0.942
Our company quickly detects the needs of our users.	276	2	5	3.37	0.952
Our company annually conducts research in the context of measuring the quality of our services and products.	276	1	5	2.93	0.914
Employees of our company collect information from informal sources (in conversation with suppliers, partners, etc.).	276	2	5	3.02	1.060
Our company periodically performs control changes in our industry.	276	1	5	3.20	0.973
Total generation of market information				3.10	0.767

(continued)

A large number of informal discussions in our organizational unit refers to the tactics and strategies of our competitors.	276	1	5	2.94	0.927
We have cross-sectorial meetings at least quarterly in order to discuss market trends and changes.	276	1	5	2.93	1.058
Employees in the marketing department often present the future needs of our customers.	276	1	5	2.73	0.932
In our business unit we often circulate documents related to the information of our customers.	276	1	5	2.85	1.110
Once there is a big change in the market the whole company is introduced to the same.	276	1	5	3.03	0.989
Data on the satisfaction of our customers are available to all organizational wards in our company.	276	2	5	2.90	0.835
Total dissemination of information				2.89	0.759
Our company quickly responds to price changes of our competitors.	276	1	5	2.54	0.891
In designing and developing new products and services in our company we follow the principles of market segmentation.	276	1	5	2.84	0.970
Our company carefully monitors changes in the context of the need for new products and services to our customers.	276	1	5	2.92	0.973
Our company periodically audits the supply to ensure that it complies with the needs of our customers.	276	1	5	2.94	1.002
Variables	N	Min	Max	Average	Standard Deviation
Business plans in our company are driven by market needs more than technological development.	276	1	5	2.98	1.044
Different departments in our company meet frequently to plan responses to changes that occur in our environment.	276	1	5	2.89	0.863
The products and services of our company based on market needs, not on the internal policy of the company.	276	2	5	3.04	0.939
Total responsiveness of the company				2.87	0.617
TOTAL MARKET ORIENTATION OF THE COMPANY				2.96	0.578

The results tell us that the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of the employee has a very low level of market orientation (average 2.96). As

to the individual dimensions of market orientation, employees believe that their company has the lowest level in the context of the dimensions of responsiveness of the company (average 2.87), followed by dissemination of information (average 2.89), and the generation of market information (average 3.10).

4.2.2 The degree of market orientation of the public company EP BiH from the perspective of service users

When it comes to the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of service users, below we present the results of statistical analysis of data on the scale of 10 items (1 - strongly disagree, 5 - strongly agree). The following table presents the minimum and maximum values, the mean and standard deviation values recorded in the sample with respect to each of the 10 items.

Table 15. Market orientation (users of the public company EP BiH)

Variables	N	Min	Max	Average	Standard deviation
“Elektroprivreda BiH” d. d. Sarajevo takes account of the needs of customers in the context of products and services that will be needed in the future.	314	1	5	3.07	1.029
Employees of the company “Elektroprivreda BiH” d. d. Sarajevo directly communicate with users to better meet their needs.	314	1	5	2.60	1.069
Variables	N	Min	Max	Average	Standard deviation
“Elektroprivreda BiH” d. d. Sarajevo conducts research in the context of measuring the quality of its services and products.	314	1	5	2.52	0.933
“Elektroprivreda BiH” d. d. Sarajevo quickly detects the needs and desires of its customers.	314	1	5	2.44	0.945
“Elektroprivreda BiH” d. d. Sarajevo rapidly adapts to changes in its industry.	314	1	5	2.62	0.939
“Elektroprivreda BiH” d. d. Sarajevo has a very fast response to the tactics and strategies of its competitors.	314	1	5	2.69	0.895
“Elektroprivreda BiH” d. d. Sarajevo quickly informs their customers about the changes in its offer.	314	1	5	2.95	1.024
“Elektroprivreda BiH” d. d. Sarajevo conducts research in the context of measuring the satisfaction of its customers.	314	1	5	2.64	0.937
“Elektroprivreda BiH” d. d. Sarajevo has a very	314	1	5	3.02	1.137

(continued)

fast response to changes in the price of its competitors.					
“Elektroprivreda BiH” d. d. Sarajevo has a range of products and services tailored to different segments of customers in the market	314	1	5	2.99	1.063
TOTAL MARKET ORIENTATION OF THE COMPANY				2.75	0.638

The results tell us that the respondents (beneficiaries) of the public company “Elektroprivreda BiH” d. d. Sarajevo that listed companies, has a very low degree of market orientation (average 2.75).

4.3 Determinants of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo

The results of statistical analysis, presented below, show the attitudes of respondents (active employees of the public company “Elektroprivreda BiH” d. d. Sarajevo) in the context of:

- behavioral management (the tendency of top management towards market orientation and the preference of management to take risks),
- inter-sectorial relationships (links within the sector and the tendency of conflicts within the sector),
- these organizational systems (degree of formalization, degree of centralization, and the reward system).

When it comes to behavior management of a public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (the tendency of top management towards market orientation and preference management to take a risk), below are the results of the statistical analysis of data on the scale of seven items (1 - strongly disagree, 5 - strongly agree). The following table presents the minimum and maximum values, the mean and standard deviation values recorded in the sample with respect to each of the seven items.

Table 16. Management behavior (employees of public company EP BiH)

Variables	N	Min	Max	Average	Standard deviation
Management in our ward often say that our survival depends on its departments that adapt to market trends.	276	1	5	3.84	0.979

(continued)

Management in our department often tells employees that they must take account of the activities of our competitors.	276	1	5	3.49	1.036
Management in our department often tells employees that they must take account of the needs of our customers.	276	1	5	3.96	0.938
Management in our department often tells employees that the service of our customers is the most important activity of our department.	276	1	5	3.95	0.925
Total tendency of top management towards market orientation				3.81	0.840
Management in our department is not afraid of the big financial risk.	276	1	5	3.05	0.980
Management in our department considers that the errors in the introduction of new products and services are normal.	276	1	5	3.06	0.857
Management in our department implements plans although it is not sure that they will bring the best results.	276	1	5	3.09	0.959
Total tendency of management to take risks				3.06	0.728
TOTAL MANAGEMENT BEHAVIOR				3.44	0.702

The results tell us that the top management of the public company “Elektroprivreda BiH” d. d. Sarajevo is only moderately inclined towards the adoption of market orientation (average 3.81), while the other side is not prone to taking risks (average 3.06). When the issue of inter-sectorial concerns of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (links within the sector and the tendency to conflicts within the sector), below are presented, the results of statistical analysis of data on a scale of 6 items (1 - strongly disagree, 5 - strongly agree). The following table presents the minimum and maximum values, the mean and standard deviation values recorded in the sample with respect to each of the six items.

Table 17. Inter-sectorial relations (employees of public company EP BiH)

Variables	N	Min	Max	Average	Standard deviation
Most departments in our organizational unit are not in the best of terms.	276	1	4	2.03	0.894
When employees from different departments find themselves in one place tensions between them quickly grow.	276	1	5	2.05	0.883

(continued)

Employees from different departments are not prone to interact.	276	1	5	2.18	0.762
Total tendency towards conflicts within the sector				2.08	0.725
In our department it is possible to talk to all employees regardless of their position in the hierarchy.	276	1	5	4.20	0.828
In our organizational unit they can informally discuss with the employees of the department checks.	276	1	5	4.23	0.710
In our organizational unit employees are free to contact the employees from other organizational units if they need something.	276	1	5	4.34	0.714
Total connections within the sector				4.26	0.660
TOTAL INTER-SECTOR RELATIONS				3,17	0,672

The results tell us that the respondents extraordinarily agree with the statement that their company is not represented with high degree of susceptibility to conflicts within the sector (average of 2.08), and that there is a relatively high degree of relatedness within the sector (average 4.26).

When it comes to the organizational system of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (degree of formalization, degree of centralization, and the reward system), below are presented the results of statistical analysis of data on the scale of nine items (1 - strongly disagree, 5 - strongly agree). The following table presents the minimum and maximum values, the mean and standard deviation values recorded in the sample with respect to each of the nine items.

Table 18. Organizational system (employees of public company EP BiH)

Variables	N	Min	Max	Average	Standard deviation
Employees in our department can carry out activities without consultation with others.	276	1	5	2.65	0.962
Employees in our department feel they are constantly monitored in the context of whether they adhere to defined rules.	276	1	5	2.93	1.042
Total degree of formalization				2.78	0.658
In our department it is impossible to make a decision without the approval of his superiors.	276	1	5	3.75	0.990
An employee who independently makes a decision in most cases is very quickly punished.	276	1	5	2.48	0.833
In our department least decision must be	276	1	5	3.12	1.178

(continued)

approved by the supervisors.					
Total degree of centralization				3.11	0.820
Users' satisfaction affects the wage level management in our department.	301	1	5	2.30	0.943
The performance of sales staff in our organizational unit is measured in accordance with links (relationships) that build with our customers.	301	1	5	2.61	0.781
We use the level of satisfaction of our customers in assessing our sales staff.	301	1	5	2.91	0.975
Total reward system				2.60	0.766
TOTAL ORGANIZATIONAL SYSTEM				2.83	0.591

4.3.1 Summarized results of the research

On the basis of research and analysis of the conducted data we can sum up the results. When it comes to the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees the results tell us that the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of the employee has a very low level of market orientation (average 2.96). As to the individual dimensions of market orientation, employees believe that their company has the lowest level in the context of the dimensions of responsiveness of the company (average 2.87), followed by dissemination of information (average 2.89), and generating market information (average 3.10). When it comes to the degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of service users, the results tell us that listed companies have a very low degree of market orientation (average 2.75).

When it comes to behavior management of a public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (the tendency of top management towards market orientation and preference management to take a risk), the results tell us that the top management in this company is only moderately inclined towards the adoption of market orientation (average 3.81), while the other side is not inclined towards taking risks (average 3.06). When it comes to inter-sectorial concerns of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (links within the sector and the tendency to conflicts within sectors), the results tell us that the respondents extraordinarily agree with the statement that their company is not represented by high degree of susceptibility towards conflicts within the sector (average of 2.08), and that there is a relatively high degree of relatedness within the sector (average 4.26). When it comes to the organizational system of the public company “Elektroprivreda BiH” d. d. Sarajevo from the perspective of employees (degree of formalization, degree of centralization, and the reward system), the results tell us that the respondents are of the opinion that in their

companies there is an increased degree of formalization (average 2.78), a moderate degree of centralization (average 3.11), and a number of levels of the reward system in the context of stimulating the market orientation of the company (average 2.60).

4.4 Analysis of results and management recommendations

Bearing in mind the complexity and purpose of the research work, the basic hypothesis of the research is:

- **MH:** Public company “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation which is caused by different organizational factors.

The main hypothesis implies and sets the following additional hypothesis:

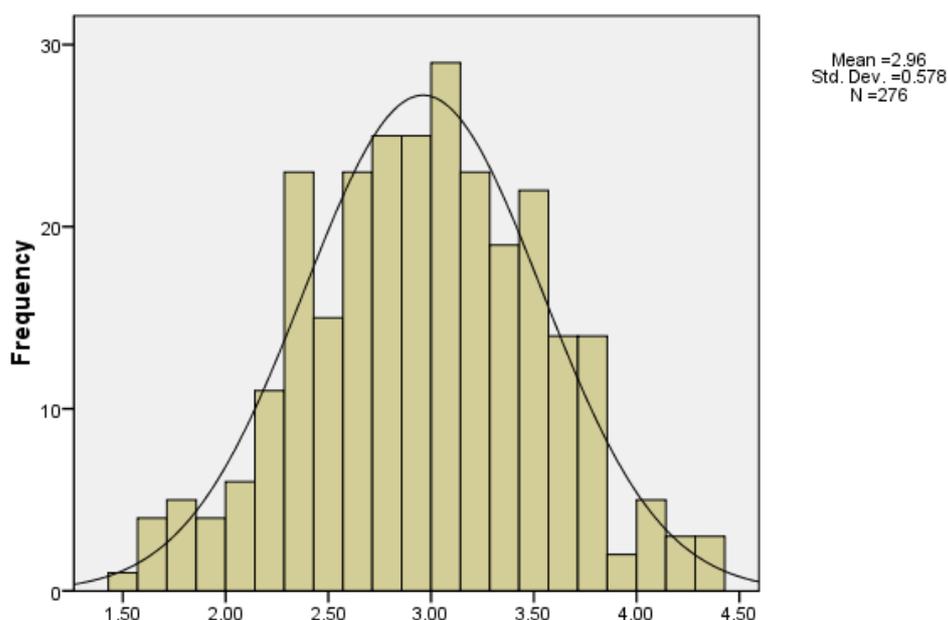
- **AH1:** “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation.
- **AH2:** It is possible to identify the organizational factors influencing the low level of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo.
- **AH3:** Evaluations by consumers indicate a low degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo.

When referring to AH1: **“Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation**”. The study was based on a sample of 276 active employees of the company. The analysis was conducted on a scale for measuring the degree of market orientation of companies (a total of 20 items). Since in this case tendency towards market orientation measured on the Likert scale with 5 degrees of agreement, where the value of 1 and 2 present negative responses (ie. low level of market orientation), answer 3 neutral attitude of the respondents, and the responses 4 and 5 positive responses in context market orientation (high level), to accept or reject the AH1, in this case, we used the Kolmogorov-Smirnov test that shows whether respondents answers differ significantly in the context of the normal distribution of data (that is, if in our case values differ to 1 and 2 it would mean that "Elektroprivreda BiH" d. d. Sarajevo has a low degree of market orientation, where as in the case of deviation response to the values of 4 and 5, "Elektroprivreda BiH" d. d. Sarajevo had a high degree of market orientation. The results of the above scale are shown in the table and in the graph (histogram) below.

Table 19. Additional hypothesis 1 (results)

Variables	N	M	St.Dev	KS	p
Degree of market orientation	276	2.96	0.578	0,047	0,042

Figure 8. Additional hypothesis 1 (results)



As we see, the distribution deviates significantly from the norm. This departure can be characterized as an asymmetry of answers according to value 2 or disagree (average value 2.96), which can be interpreted as a low level of market orientation. Based on the results ($p = 0.042 < 0.05$; Kolmogorov-Smirnov test) we that accept AH1: **“Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation”**.

When it comes to AH2: **“It is possible to identify organizational factors influencing the low level of market orientation of the public company “Elektroprivreda BiH”d. d. Sarajevo”**. The study was based on a sample of 276 active employees of the company. The analysis was conducted on the scales: the degree of market orientation on one and the tendency of top management towards market orientation and the preference management to take risks, relations within the sector and the tendency towards conflicts within the sector, and the degree of formalization, degree of centralization and reward system on the other. To accept or reject the AH2, in this case, we used the Pearson test correlation for

preliminary analysis that shows whether there is a significant correlation between these variables, and simple regression analysis for testing correlation between variables. The results are shown in the table below.

Table 20. Preliminary Data Analysis (results)

Pearson correlation test N = 276	“Degree of market orientation”
“The tendency of top management towards market orientation”	0.396** (p = 0,000)
“The tendency of management to take a risk”	0.082 (p = 0,173)
“The tendency to conflict within the sector”	-0.129** (p = 0,032)
“The association within the sector”	0.098 (p = 0,104)
“The degree of formalization”	0.128* (p = 0,034)
“The degree of centralization”	-0.030 (p = 0,965)
“The system of compensation”	0.319** (p = 0,000)

* correlation coefficient significant at 0.05

** correlation coefficient significant at 0.01

Based on these results, we can conclude: that market orientation is associated with the tendency of top management towards market orientation, propensity to conflicts within the sector, degree of formalization and a system of rewarding employees. In particular there is a statistically significant positive correlation between market orientation and preferences of top management towards market orientation (**r = 0.396, p = 0.000 <0.05; Pearson correlation test**), positive correlation between market orientation and degree of formalization (**r = 0.128, p = 0.034 <0.05; Pearson correlation test**), and positive correlation between market orientation and system of rewarding employees (**r = 0.319, p = 0.000 <0.05; Pearson correlation test**). On the other hand we recorded a negative correlation between market orientation and the inclination towards conflicts within sectors

($r = -0.129$, $p = 0.000 < 0.05$; **Pearson correlation test**). Given the value of correlation coefficient ($r > 0.200$), in this case as statistically acceptable we can use factors: preferences of top management towards market orientation and system of rewarding employees. The results are shown in the table below.

Table 21. Additional hypothesis 2 (results)

Simple linear regression (N=276)				
Variable	Coefficient	Std. Error	t-Statistic	p (Sig.)
Constant	1.923	0.149	12.917	0.000
“The tendency of top management towards market orientation”	0.272	0.038	7.142	0.000
R 0.396		F = 51.009		
R-squared 0.157		F (Sig.) = 0.000		
Adjusted R-squared 0.154		Sum of squares regression 0.531		
Variable	Coefficient	Std. Error	t-Statistic	p (Sig.)
Constant	2.333	0.117	19.880	0.000
“The system of compensation”	0.241	0.043	5.580	0.000
R 0.319		F = 31.139		
R-squared 0.102		F (Sig.) = 0.000		
Adjusted R-squared 0.099		Sum of squares regression 0.548		

When it comes to influence preferences of top management towards market orientation to a market orientation of the public company Elektroprivreda BiH d. d. Sarajevo, R^2 or coefficient of determination is 0.157, which shows that the independent variable in the model preferences of top management towards market orientation explains 15.70% of variance of the market orientation (dependant variable) of public company Elektroprivreda BiH d. d. Sarajevo. In our case Adjusted $R^2 = 0.15$ show us the percentage of the explained variance which is in selected model 15%. We can conclude that it is better to use the resulting regression model to estimate future market orientation of public company "Elektroprivreda BiH" d. d. Sarajevo but inferred from the average. As for the obtained correlation coefficients in the model all had statistically significant value: intercept or $\beta_1 = 1.935$ ($p = 0.00 < 0.05$), and the tendency of top management towards market orientation or $\beta_2 = 0.272$ ($p = 0.00 < 0.05$) which means that the market orientation of the public company "Elektroprivreda BiH" d. d. Sarajevo to increase by 0.272 units when the tendency of top management towards market orientation increases by one unit. In this context, it can accept the setting of our model.

$$\text{Market orientation} = 1.923 + 0.272 \text{ The tendency of top management towards market orientation} + \epsilon t$$

When it comes to the impact of the system of compensation to the market orientation of public company "Elektroprivreda BiH" d. d. Sarajevo, R^2 or coefficient of determination is 0.102, which shows that the independent variable in the model of "The system of compensation" explains 10.20% of changes occurring in the market orientation of public company "Elektroprivreda BiH" d. d. Sarajevo. In our case Adjusted $R^2 = 0.099$ show us the percentage of the explained variance which is in selected model 10%. We can conclude that it is better to use the resulting regression model to estimate future market orientation of public company "Elektroprivreda BiH" d. d. Sarajevo but inferred from the average. Regarding to the given correlation coefficient in model, all of them had statistically significant value: intercept or $\beta_1 = 0.241$ ($p = 0.00 < 0.05$), and the system of compensation or $\beta_2 = 0.241$ ($p = 0.00 < 0.05$), which means that the market orientation of public company "Elektroprivreda BiH" d. d. Sarajevo will increase by 0.241 units if the system of compensation increases by one unit. In that context we can accept the setting of our model.

$$\text{Market orientation} = 2.333 + 0.241 \text{ The system of compensation} + \varepsilon \quad (2)$$

Based on the given results which show that preferences of top management towards market orientation and system of rewarding employees positively effect on the market orientation of the public company "Elektroprivreda BiH" d. d. Sarajevo ($p = 0.00 < 0.05$, simple linear regression analysis), we can accept the hypothesis PH2: "It is possible to identify organizational factors influencing the low level of market orientation of the public company "Elektroprivreda BiH" d. d. Sarajevo.

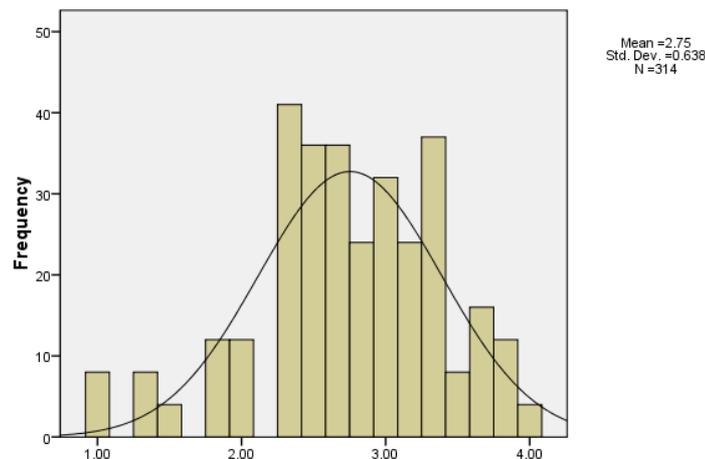
When it comes to AH3: "**Evaluations by consumers indicates a low degree of market orientation of the public company "Elektroprivreda BiH" d. d. Sarajevo.** The study was based on a sample of **314** active users of the company. The analysis was conducted on a scale for measuring the degree of market orientation of companies (a total of 10 items).

Since in this case the tendency towards market orientation measured on the Likert scale with five degrees of agreement, where the value of 1 and 2 represent negative response (ie. low level of market orientation), answer 3 neutral attitude of the respondents, and the responses 4 and 5 positive responses in the context of market orientation (high level), to accept or reject the PH3, in this case, we used the Kolmogorv-Smirnov test that shows whether respondent's answers differ significantly in the context of the normal distribution of data that is, if in our case data (answer service users) departed to the values 1 and 2 this would mean that "Elektroprivreda BiH" d. d. Sarajevo has a low level of market orientation, while in this case of deviation response to the values of 4 and 5, "Elektroprivreda BiH" d. d. Sarajevo had a high degree of market orientation. The results of the above scale are shown in the table and in the graph (histogram) below.

Table 22. Additional hypothesis 3 (results)

Variables	N	M	St. dev.	KS	p
Degree of Market Orientation	314	2.75	0.638	0,099	0,000

Figure 9. Additional hypothesis 3 (results)



As we can see, the distribution deviates significantly from the norm. This departure can be characterized as a positive asymmetry (ie a larger number of types 1 and 2, and a small number of responses 4 and 5). Based on the results of deviation to the value 2 or disagree (average value 2.96), ($p = 0.000 < 0.05$; Kolmogorov-Smirnov test) we accept AH3: **“Evaluation by consumers indicates a low degree of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo”**.

Given that all three auxiliary hypotheses, which are based on assumptions about the low level of market orientation of the public company “Elektroprivreda BiH” d. d. Sarajevo and the impact of various determinants of the specified variable, with absolute certainty, we can accept the MH: **“Public company “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation which is caused by different organizational factors”**.

CONCLUSION

The results obtained in this master thesis confirm and scientifically prove the established opinion which is that the public company “Elektroprivreda BiH” d. d. Sarajevo has a low degree of market orientation caused by different organizational factors. This score is the result of the monopolistic activity of the company for that, not so long ago; it was believed that it is a natural monopoly and that the market situation could not be changed. With this conviction, many employees of the public company “Elektroprivreda BiH” d. d. Sarajevo spend their working lives believing in this.

Activities on the liberalization and deregulation of markets aimed at the complete opening of the market for both domestic and global competitiveness, all for the purpose of its development, which is not possible in monopolistic conditions. In these circumstances, companies such as public company “Elektroprivreda BiH” d. d. Sarajevo are exposed to a significant risk of loss of position and market share, which it currently has. Of course, the competition itself is a driver of activity and it should have positive effects on the development and performance of the public company “Elektroprivreda BiH” d. d. Sarajevo, and not to be a threat to its survival. However, it is necessary that the company has adequate organizational preparation, which is the reason for the decision for reorganization.

However, the organizational structure will not change the mindset of employees of the public company “Elektroprivreda BiH” d. d. Sarajevo. For example, the organizational culture consisting of core values and business principles, ethical standards, the behavior of employees and all those activities that are at the root of the philosophy of business as a crucial factor for the success or failure of any organizational structure. Organizational culture is based on the behavior, beliefs and customs, and consists of written and unwritten rules and develops over time (not ad hoc). As such, organizational culture has a strong impact on the productivity and performance of the company and affects the politics of production, creating new products, marketing and communication style, as well as the manner of conduct towards customers.

When looked at from this angle, the results that were obtained in this master thesis, we open a whole new dimension of the problem of the public company “Elektroprivreda BiH” d. d. Sarajevo. The research conducted has shown that public company “Elektroprivreda BiH” d. d. Sarajevo has a somewhat older structure of employees with an average service life at the current position of nine years and three months. This tells us that, on average, employees of the public company “Elektroprivreda BiH” d. d. Sarajevo have been operating for a relatively long time in an environment where there is a very low level of market orientation towards all three dimensions: generation of market information, dissemination of information, and responsiveness of the company. So the question is how have practices that led to the fact that these dimensions are themselves rated low by

employees, penetrated into the pores of organizational culture, and the way of thinking of employees at all levels.

As for the results of customer reviews of public enterprises “Elektroprivreda BiH” d. d. Sarajevo towards its market orientation, they only confirm the opinion of employees on this issue, with a dose of somewhat greater criticism. However, it should be noted that the entire Bosnian market is relatively undeveloped, and that, generally, consumers/users have lower expectations in comparison with consumers/users in developed markets. So the question is, what kind of marks would be given by users of the public company “Elektroprivreda BiH” d. d. Sarajevo, if there was an intensified movement of marketing activities of competitors and what if users had higher standards.

In order to determine where action is needed to be taken for stated condition to be changed, it was necessary to identify the factors responsible for the low level of market orientation of this public company; therefore we must determine what is most important to recommend to management. According to the results of this master thesis there was a significant positive correlation between market orientation and preferences of top management towards market orientation. The master thesis showed that the top management of the public company “Elektroprivreda BiH” d. d. Sarajevo is moderately inclined towards the adoption of market orientation. So, it is very important that the top management of the public company “Elektroprivreda BiH” d. d. Sarajevo becomes “open” for practices that make it a market-oriented company. The preference of management towards market orientation is an important factor and the reason behind this is that top management should be the driving force of changes of organizational culture and the mindset of employees and what is needed above all is perseverance and determination, since these are difficult variable categories.

In addition to this factor, the master thesis found that there is a positive correlation between market orientation and cohesion across the sector, and between market orientation and the reward system. In the case of a public company “Elektroprivreda BiH” d. d. Sarajevo, relations within the sector were considered relatively high grade and are one of the factors that were rated highest by employees of the company, while the reward system, on the other hand, is rated very low. Knowing that rewarding employees plays an important role in their motivation, and that the motivation of employees has a direct impact on the achievement of company performance, from this point of view, this information can be very disturbing. How management which defines the policy of the reward system, also depends primarily on the willingness of top management.

How this master thesis is prepared on the basis of practical examples of situations in which the public company “Elektroprivreda BiH” d. d. Sarajevo finds itself, in order to provide

concrete recommendations for the positioning of the company in a competitive environment, the results of research that speak of a low level of market orientation of the company, opened the need to carry additional diagnostic research in targeted areas: (1) organizational culture, (2) employee satisfaction, (3) company image, (3) customer satisfaction. After which we can give a clear diagnostic picture and a clear course of action by management.

Here once again I emphasize that this is an initial study and research related to customer/users of services should be taken with reserve because doing so will prevent the misunderstanding of this master thesis. The research was done primarily in order to try to acquire data as accurately as possible even though in practice the gathering of information from this way is not very applicable and poorly represented.

Although this master thesis identified critical points, the author believes that both the employees of “Elektroprivreda BiH” initially assessed market orientation of the company without clear knowledge of the weight of each of said element of the scale, or the business processes that are being taken in market-oriented companies. On the other hand, users of “Elektroprivreda BiH”, a market that is generally underdeveloped in all segments, have no experience in this market and were companies are fighting for their money, especially in the energy sector in which it had the longtime monopoly. This means that they cannot clearly perceive the quality of stewardship “Elektroprivreda BiH” has, because they do not have experience with other reference offers. This situation is considered the greatest limitation of this master thesis, which may represent a current picture, better than the one that actually did. In this respect, it is recommended that benchmark analysis of the business processes, “Elektroprivreda BiH” is done with one of the similar companies with developed markets, in order to obtain a realistic picture of the current situation. But to put things in a proper way, it is first of all necessary to define a prerequisite, and that is the willingness of top management to accept these challenges, which according to the results of this research should be improved.

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APPENDIX

TABLE OF APPENDIXES

Appendix A: List of abbreviations	1
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Appendix A: List of abbreviations

AH	Additional hypothesis
AMA	American Marketing Association
BiH	Bosnia and Herzegovina
EP BiH	Elektroprivreda Bosna i Hercegovina
EP HZHB	Elektroprivreda Hrvatske zajednice Herceg Bosne
EU	European Union
FBiH	Government of the Federation of Bosnia and Herzegovina
MARKOR	Market orientation scales which integrates an organizational view of market orientation and develops an assessment the firm's potentiality.
MH	Main hypothesis
MKTOR	Market orientation scales which is more centered on the customer orientation and exhibits a "check list" approach.
RS	Republika Srpska
USA	United States of America

