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FACULTY OF ECONOMICS

MASTER'S THESIS

**MARKETING STRATEGY ADAPTATION TO CRISIS IN SLOVENIAN
AND SPANISH COMPANIES**

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TABLE OF CONTENTS

INTRODUCTION	1
1 BACKGROUND OF THE ECONOMIC AND FINANCIAL GLOBAL CRISIS	2
1.1 Challenging period of 2007-2012 known as the global crisis	3
1.2 Struggling Slovenian economy during the period of 2008–2012	5
1.3 Spanish economy on the edge of collapsing	8
2 COMPANIES' ADAPTATION TO THE CRISIS AND CHANGES IN MARKETING STRATEGIES	11
3 CONCEPTS THAT HAVE AN IMPORTANT IMPACT ON COMPANY PERFORMANCE.....	15
3.1 Focusing on innovation.....	15
3.1.1 Marketing innovation and its factors.....	17
3.1.2 Innovations in marketing mix	18
3.1.3 Other types of innovation	19
3.2 Focusing on market orientation	19
3.2.1 Definition of market orientation and its components.....	20
3.2.2 External vs. Internal Market Orientation.....	21
3.3 Focusing on competitive advantage.....	22
4 CORRELATION BETWEEN THE CONCEPTS AND THEIR IMPACT ON COMPANY PERFORMANCE (SURVIVAL)	24
4.1 Market orientation - marketing innovation relationship	25
4.2 Market orientation - market innovation - competitive advantage correlation	27
4.3 The influence of market orientation, marketing innovation and competitive advantage on company performance	27
5 METHODOLOGY OVERVIEW AND COMPANIES' OVERVIEW	30
5.1 Methodology overview, data collection and limitations.....	30
5.1.1 Methodology	31
5.1.2 Collecting data.....	32
5.1.3 Limitations	33
5.2 Background information about companies interviewed	34
5.2.1 Background of Slovenian companies	34
5.2.2 Background of Spanish companies	35
6 ANALYSIS OF MARKETING STRATEGY ADAPTATION	36

6.1 Effects and consequences of financial crisis on company's business and marketing	36
6.1.1 Advertising sector	37
6.1.2 Sector of engineering and production of pre-fabricated buildings	39
6.1.3 Electrical engineering sector	41
6.2 Analysis of the three concepts	43
6.2.1 Market orientation.....	43
6.2.2 Marketing innovation.....	45
6.2.3 Competitive advantage.....	46
6.3 Correlations between the concepts	47
6.3.1 The importance of market orientation.....	48
6.3.2 The role of marketing innovations	49
6.3.3 Market orientation - marketing innovation - competitive advantage correlation	50
6.4 Performance analysis of selected companies.....	54
6.4.1 Analysis of companies' performance during the crisis.....	54
6.4.2 Influence of market orientation, marketing innovation and competitive advantage on company performance.....	56
7 OVERALL COMPARISON BETWEEN THE COUNTRIES	58
7.1 Advertising sector.....	58
7.2 Sector of engineering and production of pre-fabricated buildings	59
7.3 Electrical engineering sector	60
8 MODEL BASED COMPARISON WITH THEORETICAL BACKGROUND	60
9 CONCLUSION.....	63
REFERENCE LIST	66
APPENDIXES	

INTRODUCTION

Companies must deal with different economic situations such as economic crisis, competitive intensity, economic boom or bust, mergers and acquisition, etc. In each situation, they need to respond to those changes as successfully as they can by adapting their strategies. Current economic crisis creates high level of uncertainty and presents a threat to the viability of the company (Grewal & Tansuhaj, 2001; Kumar, Jones, Venkatesan & Leone, 2011). Economic crises can affect companies in different ways – some companies go bankrupt and are forced to close down, others face decreasing demand which is reflected in higher input prices and higher costs for companies. All aforementioned factors can be reflected in higher prices for the end customer. Furthermore, many companies are forced to redundancy and have to reduce wages which can negatively affect company performance and competitiveness (Köksal & Özgül, 2007). Therefore, in order to sustain their business during the economic downturn that the world has been facing in the last few years companies have to take appropriate measures to adapt to current market situation. Since consumers are forced to adapt their buying behaviour during the economic crisis and the price becomes more critical factor in decision making process, companies have to reconsider and adapt their marketing strategies in order to sustain company performance. With these adaptations, they should focus especially on marketing mix in order to adapt to the given circumstances to satisfy customers' needs and survive the crisis (Ang, Leong & Kotler, 2000; Köksal & Özgül, 2007; Kumar et al. 2011).

Based on the overview of the literature, I chose three factors that could have the greatest impact on the performance or even contribute to the survival of the company. The three factors are: company market orientation, marketing innovation and competitive advantage. This thesis is divided into a theoretical part and empirical part. The theoretical part starts with general overview of the crisis, consequences of the crisis on the Slovenian and Spanish markets, and crisis impact on marketing in companies in general. The main objective of the first two chapters is to analyse the current situation in general in order to understand the beginning and continuation of this severe situation that companies are facing nowadays. Furthermore, the companies in my sample were and still are facing the same challenges as other companies on the Slovenian and Spanish markets. Therefore, the general overview was made and is presented in the following chapters. The Spanish market was selected for the comparison for various reasons. Spanish economy has also been struggling hard during the last few years. They have faced strong economic downturn and one of the highest unemployment rates in Europe. Furthermore, during my internships in Madrid I had the possibility of obtaining the general overview of Spanish economy and companies. Throughout the theoretical part, the three factors – marketing innovation, market orientation and competitive advantage – are presented in details as well. This part is concluded with the analysis of the connections between the factors, presented in a model. Based on that model, a parallel was drawn between the theory and my own findings. The **main objective** of this master thesis is therefore to analyze the theoretical background of

the crisis and the three factors affecting company performance, to discover what kind of influence they have on each other and how they influence company performance, especially during times of the crisis.

The **main questions** in the thesis which were also my focus while examining the influence of the crisis on marketing and consequently on performance are:

1. How exactly has the current economic and financial crisis influenced the marketing strategies and how have investments in the area of marketing changed in different companies during the last few years?
2. How important was market orientation and what was the role of marketing innovations, especially in marketing mix in this period?
3. What role does marketing innovation play when obtaining competitive advantage and furthermore, is competitive advantage in any way connected with company performance?

These questions were also my focus while preparing and later conducting the research on the Slovenian and Spanish markets. The empirical part presents and explains the methodology and in-depth interviews as my primary research method. My research was conducted among companies operating on the Slovenian market and among companies operating on the Spanish market. The main objectives of the research and comparison were to analyse the consequences that the crisis had on the interviewed companies and on their performance and later on to establish what the impact of market orientation, marketing innovation and competitive advantage on the performance of selected companies is and if market specifics have any influence on company performance. Furthermore, I wanted to see which companies – either the Slovenian or the Spanish ones – were more successful in facing the crisis.

1 BACKGROUND OF THE ECONOMIC AND FINANCIAL GLOBAL CRISIS

Over the last few years, the world has faced declining economy with decreasing GDP, demand and investments, followed by increasing employment rate. The first signs of an economic downturn were already seen in 2007, but in 2008, there was no doubt left about global crisis. Europe and U.S. have faced one of the severest recessions since the Great Depression in 1930 (Alfaro & Chen, 2010; Li, Roca & Papaoikonomou, 2011). Slovenia and Spain were no exception to that with the crisis affecting the majority of the sectors, changing companies' businesses and even questioning their existence. Companies were forced to take special measures and adapt their strategies. The main motivation of my research was to learn what those changes were and how they affected company performance. This first chapter starts with the definition of crisis, focusing on the period of

current financial crisis. Finally, it examines the situation on the Slovenian and Spanish markets in the period of 2007–2012. The main objective of this part is to present and analyse the current situation on the Slovenian and Spanish markets in order to be able to better understand companies' response and adaptation of marketing strategies in the period of 2007–2012, presented in later chapters.

Starting with a definition of the crucial problem of the current situation, the previous analyses define **financial crisis** to be a “disruption to financial markets in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities”. Therefore, financial crisis leads to inefficiency of financial markets, causing a sharp decline in economic activity (Mishkin, 1991, p. 2).

Reasons for such crises can differ but their consequences are most commonly the same: the decrease of GDP, demand, investments and increasing employment rate. These consequences exert a negative impact on company performance and in many cases even question its survival (Marasović, Crnjak Karanović & Dragnić, 2011). During these past few years, the world has faced the deepest global financial crisis since the World War II (Alfaro & Chen, 2010) strongly affecting especially the banking sector, majority of companies and also individual consumers.

1.1 Challenging period of 2007-2012 known as the global crisis

What is nowadays most commonly referred to as a global economic crisis does not originate from corporate finance (credit or equity markets) or from demand-side factors, such as other crisis and recessions. It originates from consumer finance (housing mortgages) and exaggerated value of assets on real estate market, stocks and credits (Kuppuswamy & Villalonga, 2010; Križanič, 2012) continuing by spreading around all sectors. That is why experts described it not only as a subprime crisis but also a banking crisis, a crisis of liquidity and a crisis of collateral (The Economist, 2007).

The economic downturn started on the American subprime mortgage market when, because of low interest rates, more and more people started buying new homes and taking new mortgages so that they could pay off the old ones. Ben Bernanke, the chairman of Federal Reserve Bank, defines **subprime mortgages** as “the loans that are made to borrowers who are associated with high probabilities of default or with lack of a strong credit history”. These borrowers are therefore perceived to have high credit risk (Bernanke, 2007). The criteria for lending money was set low because, with selling mortgages to Wall Street investors and passing both the risk and responsibility to them, banks just did not care about the income of people that took mortgages. Along with the demand, the price increased as well and the increase of these two factors created a housing bubble (Association for Responsible Lending UK, 2005-2010). The increase of prices was a consequence of a long period of extremely low interest rates. According to The Economist,

house prices in America rose by 124% in the period from 1997 to 2006 (while in Great Britain by 194%, in Spain by 180% and in Ireland by 253%) (The Economist, 2007). While the industry was growing, the mortgage quality decreased. Due to the rising prices, increasing property values and fixed incomes, individuals became unable to repay their primary mortgages. The number of houses on the market was still growing while the number of buyers was declining. This caused the drop in price (Association for Responsible Lending UK, 2005-2010). With decreasing consumer spending, banks became less likely to give away loans (Hinton, 2010). The Wall Street investors refused to buy risky loans. Mortgage companies which were selling risky loans faced shocking consequences (Association for Responsible Lending UK, 2005-2010). According to the National Bureau of Economic Research, the semi-official organization that records recession, the financial crisis that started in December 2007 and deepened in 2008 made many financial giants such as Bear-Stearns, Lehman Brothers, Merrill-Lynch and others disappeared or rescued by government (Jones, 2009, pp. 2-3). Upon the bankruptcy of Lehman Brothers investment bank, it became obvious that no bank is “too big to fail” and that government will not be able to save every bank (Elliot, 2011).

This crisis showed that markets are highly interconnected and interdependent, spreading negative effects all over the world with rapid speed (The Economist, 2007). The liquidity shortfall in the US banking system affected the whole world with financial crisis expanding worldwide in a month (October 2008) and turning into deep recession (Križanič, 2012). Nonetheless, one has to take into consideration that financial crisis has had a slightly different impact on advanced economies than on emerging markets. From the beginning of the financial crisis in 2007, government debt (in percentage of GDP) in advanced economies rose from 75% on average to more than 110% while government deficit increased from 1.5% of GDP to 6.5%. In the emerging economies, debt has remained relatively stable relative to GDP but average GDP growth fell from 8.8% in 2007 to 0.4 % in 2009 (Alfaro & Chen, 2010; Bank for International Settlements, 2012). Nevertheless, these economies should take into account that the situation considering credit and asset price is very similar to the situation in advanced economies before the financial crisis, where the boom of asset and credit price just tried to cover the underlying weaknesses in fiscal accounts (Bank for International Settlements, 2012). The unemployment rate in these years rose up to 9% in the OECD countries and the volume of the world trade drop by more than 40% (Alfaro & Chen, 2010, p. 2). After recession reached the bottom in February 2008, many countries worldwide were already facing slow economic growth. This also led to an enormous increase of government debt that caused fiscal crisis in the Euro zone. Many European countries, starting with Greece and continuing with Ireland, Portugal and Spain, became unable to repay their debts (Križanič, 2012).

Now, after six years from the outbreak of the financial crisis, the world's economy is still unstable. The objectives of balanced growth, balanced economic policies and safe financial

systems that the world's economy strives for are still far from fulfillment. While many advanced economies that were in the center of financial crisis have been struggling with high debt loans that are slowing down the recovery, the economy of emerging countries has been rising due to rapid credit expansion and growth led by export. Nevertheless, a situation like this is not likely to be sustainable, since in the past few years, there have been signs of a slowdown in emerging market economies. The advanced economies that are still far away from self-sustaining recovery and rebalanced global growth are now facing high household debt that accounts for almost 100% of GDP. Central banks in these economies did not reduce their purchases of government bonds or stop supporting the liquidity in the banking system but instead they even expanded their purchases and support with their aggregate assets now accounting for 30% of GDP. Nevertheless, there is a slightly different situation in fast-growing economies since their central banks are also under pressure. Searching for the right balance in monetary and fiscal stability is worsening by the signs of faltering growth and accommodative policies in advanced economies (Bank for International Settlements, 2012, pp. 1-4).

By now, the main question is no longer whether to adapt or not but how. There are some experts suggesting that governments should focus only on long-term resolutions and others that claim that the consolidation plan should start immediately. These authors insist that governments take forceful and credible long-term measures, proving that they will manage their costs of pensions and health care for aging population. The economies that were hit the most by the crisis should do much more than that – starting with realization of reforms in public sectors. The economies less affected by the crisis can take the opportunity of their stronger position for stabilization of governments' finances (Bank for International Settlements, 2012, pp. 3-5).

1.2 Struggling Slovenian economy during the period of 2008–2012

The small and open Slovenian economy blossomed in the period of 2000-2007 – especially after entering the Euro zone – with average growth of 4.36% per year (Statistični Urad Republike Slovenije, 2013 b). The construction sector was surging and banks gave away easy credits (FriedlNews, 2012). The Slovenian GDP had a positive growth almost every year until 2008 when GDP growth almost halved, by dropping from 6.9% to 3.6%. By 2009, it was already negative, reaching a high negative level of -8.0%. After a year of struggling, the Slovenian economy showed signs of recovery with positive growth of GDP (1.4%) but then again faced a negative growth in 2011 (-0.2%) (Statistični Urad Republike Slovenije 2012 a). Public debt was accounted for 23.1% in 2007, reaching 50% of GDP in 2012. Contrary, budget deficit decreased from 6.1% in 2009 to 4.5% of GDP in 2012. The unemployment rate in Slovenia increased from 6.7% in 2008 to 12% in 2012, expecting a slight downturn trend in 2013 (see Appendix 1) (FriedlNews, 2012; Statistični Urad Republike Slovenije, 2012 b). In total, these drops and contractions had a negative impact on the business of Slovenian companies.

The forecasts for GDP growth for 2012 and 2013 were differing since the Organization for Economic Co-operation and Development (OECD) predicted negative growth by -2% in 2012 and -0.4% in 2013 (Organization for Economic Co-operation and Development, 2012), while the forecast of European Commission was more optimistic, predicting 1.4% decrease in 2012 and 0.7% of increase in 2013 (Jenko, 2012; Organization for Economic Co-operation and Development, 2012). Because of the credit crunch and decrease of economic competitiveness, the European Bank for Reconstruction and Development also predicted 2% decline of GDP in 2012 and additional 1.1% decline in 2013. Furthermore, the Institute of Macroeconomic Analysis and Development predicted 0.9% decline in 2012 and positive 1.1% growth in 2013, while Bank of Slovenia expected contraction of the Slovenian economy of 1.2% in 2012 and recuperation of 0.6% in 2013 (Organization for Economic Co-operation and Development, 2012). Along with different forecasts, all organizations agreed that in 2012 Slovenia will still be facing negative growth and will slightly – according to some organizations – recover in year 2013 with slow positive growth of no more than 1.1% (see Appendix 1, Table 5). Nonetheless, the final calculation showed that the reality was worse than any forecasts. The GDP growth reached -2.3% and EUROSTAT expects the growth rate to be -2.00% in 2013 (EUROSTAT, 2013; Statistični Urad Republike Slovenije, 2013 a).

While the financial crisis was expanding, the level of lending was decreasing in all Euro zone countries. Slovenia was no exception to that (Urad RS za makroekonomske analize in razvoj, 2010). Under the Financial Sector Assessment Program (FSAP), the IMF assessed financial situation in Slovenia, confirming that Slovenian financial sector, especially the performance of banking sector, was strongly affected by the current crisis (International Monetary Fund, 2012). The availability of financial sources was limited, lending terms were sharpened and banks restricted access to loans also to those companies that wanted to borrow under less favourable borrowing terms. Lending activity in the Slovenian banking system was mainly based on foreign borrowings in the past, accounting for approximately €12 billion in 2005-2008. After a great fall of foreign loans in 2009 (when they were accounted for €3 billion) and limited accessibility of these financial sources, banks became more dependent on government deposits and state guarantees (Urad RS za makroekonomske analize in razvoj, 2010). The banking sector has operated with losses for the last two years and the FSAP mission states that the process of deleveraging will be long-lasting (International Monetary Fund, 2012).

December 2008 was crucial for the Slovenian economy since the government and the Economic and Social Council of Slovenia reached an agreement about stimulus package in order to reduce the effects of the economic crisis. Along with fiscal and employment policy measures, this package included state loans and guarantees, subsidies for those companies that shortened working week instead of cutting jobs and provisions that ensured timely payment of social transfers (Eurofound, 2009). However, besides the stimulus packages and all government measures, many speculated that, because of the falling

construction sector and the pressure put on banking sector, Slovenia could be the next country that would need to ask the European Union for help (FriedlNews, 2012). Business in construction sector fell by 30%, which represents the biggest drop in this sector in the European Union. Few of the largest Slovenian construction companies went bankrupt, causing high increase of the unemployment rate. After bankruptcies of other, smaller construction companies, many employees had not only been made redundant, they had not received their payment for the last couple of months as well. Along with the lack of government policies in order to help construction industry, monopolistic practices and poorly regulated management take-overs, many experts have warned that the industry was too big for Slovenian conditions. Since it was impossible to obtain a loan during current situation, especially in this sector, there was just a matter of time when these companies would go bankrupt (Skledar, 2012). The strike of the crisis also revealed the violation of the basic workers' rights by some other companies, which furthermore revealed poor monitoring and control of some public organizations. Also in other sectors, not just in construction, some of the companies were shut down, leaving behind thousands of people unemployed and without their salaries (Bank for International Settlements, 2012).

Less developed banking system in Slovenia is positioning Slovenian companies and NFIs among the most indebted ones in the Euro zone since the shares of equity capital and loans are almost equal. Researchers reveal relatively small share of financial assets relative to their liabilities (that is above the average of the Euro zone) and lack of liquid sources, such as currency and bank deposits. The current situation forced Slovenian companies to face with the extending payment terms and the lack of payment discipline that only just creates additional pressures on their liquidity (Urad RS za makroekonomske analize in razvoj, 2010). These are also the consequences that hit some of the companies in my research.

The global economic crisis strongly affected Slovenian companies in the first half of 2009 and no business sector stayed untouched (Bank for International Settlements, 2012; Skledar, 2012). Many businesses were shut down. According to the research conducted in 2009 by the counselling company A. T. Kearney's the most common reasons for companies' collapse were wrong decisions in the area of investments, too extensive structure of expenses, inadequate liquidity and unsuitable management response. They discovered that the main cause for collapse is a wrong decision in the area of investments since 54% of all the companies that cooperated in the research were ruined as a consequence of incorrect strategic/investment decision. Researches claimed that company's response was, in most cases, too late, too slow and with insufficiently strategic anticipation since present crisis revealed many faults from the past (Slovenska Tiskovna Agencija, 2009).

Due to globalization, markets and sectors strongly depend on one another (The Economist, 2007) causing domino effect and vicious circle. Therefore – due to sinking banking and construction sectors that were hit the most by the crisis – this had had a strong negative

influence on the companies in other sectors, which also holds true in the case of my sample in the empirical part of the thesis.

1.3 Spanish economy on the edge of collapsing

The Spanish economy, the fourth largest economy in the Euro zone and the 13th largest in the world (Kudacki, 2012; The World Factbook, 2012), entered the recession in the same year as Slovenia, in 2008. It started with the collapsing housing market that revealed how unregulated and rooted the savings banks and real estate markets were. Because of the increasing public benefits, government spending increased as well. This caused the increase of Spanish debt which made investors to invest less.

In order to enter the European Union, Spain had to convert their budget deficit of 6.5% (from 1990 on) to budget surplus and reduce its long term interest rate. The latter caused an increase in loans purchase housing from businesses and individuals. Since many individuals borrowed money under low interest rate, the demand for housing increased and therefore the construction industry prospered. Thereby, the immigration increased. In the period from 1999/2000 to 2007/2008, the population in Spain grew from 40 million to 45 million. The Spanish economy created more than 30% of all employment in the Euro zone and the construction industry employed 13% of all workers in Spain in total (Harrington, 2011).

After joining the EU in 1986, the Spain's economy blossomed, which made it the world's number one in homeownership. It was one of the most successful and fastest developing economies in the EU with nearly 4% of economic growth (Lopez & Emmanuel, 2011). However, after 15 years of GDP growth, its mixed capitalist economy started to slow down in 2007. A year after, Spain entered the recession (The World Factbook, 2012). Spain's deficit and unemployment rate increased rapidly as the prices and demand for housing decreased (Harrington, 2011; Fontes, 2012) and the interest rates increased. Therefore, Spain became one of the biggest concerns of the European Union (Spain, 2012). Since government's stimulus package did not prevent such a sharp increase in the number of unemployed people (The World Factbook, 2012), one of the main concerns became a high unemployment rate. The unemployment rate in Spain was among the highest in EU in 2012 and 2013. It increased from 8.3% in 2007 (The World Factbook, 2012) reaching the high level of 24.6% in the second quarter of 2012 (while the lowest unemployment rate was just before the crisis started in 2007 and accounted for 7.95%) (Fontes, 2012). Among young people under age of 25, the unemployment rate reached 52% (Kudacki, 2012). In 2008, Spain's budget deficit increased to -4.5% of GDP, jumped to -11.2% in 2009 and decreased on -9.4% in 2011 while their target deficit was 6%. In 2012, their budget deficit reached 10.6% of GDP (Ross-Thomas, 2012; Trading Economics, 2012 b). The public debt

increased from 40.2% (39.8%)¹ of GDP in 2008 to 61.5% (60.1%) in 2010 and 69.3% in 2011. According to forecasts, it will only increase (Éltető, 2011; Tradings Economics, 2012 b). The Spanish GDP shrank by 3.7% in 2009 and by another 0.1% in 2010. In 2011, the signs of recovery were seen since the GDP growth turned positive also in Spain, accounting for 0.4%. In that period, Spain also faced housing oversupply, decreasing customer spending and increasing export (The World Factbook, 2012; EUROSTAT, 2012 d) (see Appendix 1).

In 2012, the Spain's financial situation has deepened. The economy shrank by 0.4% in the second quarter of 2012. Since Spain faced its second recession in the last three years, the Spanish government is trying to save its economy with austerity measures mainly affecting taxes, health and education system that are accompanied by numerous demonstrations all across the nation (Kudacki, 2012; Ross-Thomas, 2012). After 9th June, 2012, when Spain decided to accept the bailout accounted up to €100 billion in order to save its banks, it became the fourth and the largest country in the EU that had to ask the EU for financial help (Spain, 2012). In order to receive this financial help, Spain needed to reduce its deficit on 6.3% in 2012, continuing with reducing it to 4.5% in 2013 and to 2.8% in 2014 (Brat, House& Román, 2012). However, according to the European Commission, the Spain's budget deficit will accounted for 6.4% of GDP in 2012 and 6.3% in 2013. Thereby, Spain will not achieve the goal of reducing the deficit to 5.3% (2012) and 3% (2013) of GDP. The European Commission also predicts that Spanish economy will shrink by 0.3% in 2013 with unemployment rate increased up to 25.1% (Ross-Thomas, 2012). This would make Spain the only country of the Euro zone that will still be facing with the crisis in 2013 (Spain, 2012).

Because of the recession and financial crisis that consequently hit Europe, European companies started losing their positions among 100 world's biggest companies. According to the article, there were only 30 European companies in top 100 in 2012. The situation among Spanish companies was even worse since in 2008 there were four Spanish companies placed into top 100, two of them among first 50. By the year 2012, only one stayed in the group, reaching low 95th place (Abril, 2012). However according to Ministry of Economics, the competitiveness of Spanish companies is improving in 2012 mainly due to the drop of the value of Euro and declining prices in the country (Linares, 2012).

The financial crisis had a very strong impact also on the business world. It forced around 178,000 Spanish companies to shut down (in the beginning of the year 2012 since this number amounted for 500,000 in the middle of 2012, of which 200,000 were SMEs and 300,000 were private entrepreneurs). The two main reasons for such a high number of closed companies were the lack of funding and delinquency in payment (delay or non-

¹Different sources provide different data. Trading Economics and EUROSTAT have different number that are stated in the article of Andrea Éltető (2011) about crisis in Spain. Since EUROSTAT tends to be more accurate I first used those numbers and in the brackets the numbers by Andrea Éltető are listed.

payment of bills) (Efe, 2012; 500.000 Pymes y autónomos, 2012). The majority of these companies were SMEs while bigger corporations (with more than 500 employees) were more successful in dealing with the crisis since the number of bigger corporations that have survived is higher. For that reason, I also decided that my research focus for both primary and secondary data were SMEs. Professor Anna Labroda (Efe, 2012) from the business school Esade and Company Directory (*Directorio de Empresas*) explains that large-sized companies have shown a great capacity for survival. They were better prepared to withstand the crisis since the companies with more than 5,000 employees increased in number from 99 to 107 in the period from 2009 to 2011. The largest decline in the number of companies was in construction sector with drop by 36.8% from 2006 until 2010, followed by industrial sector (drop by 15%) and services (3.6%). The Ministry of Labour also calculated a 10.5% decline in companies based on sector between the period of 2006 and 2010. According to Social Security, the drop was the highest in Valencia and Murcia since those two communities have mostly depended on construction (Efe, 2012).

The Spanish banking system is well spread across Spain. With 24,000 branches of *cajas* (saving banks), the Spanish regional savings and loan banks accounted for half of its banking system. During the prosperity, *cajas* also gave away loans to people who were considered less likely to return the money and were rejected by larger banks. By 2009, they owned 56% of country's mortgage. Because of the poorly regulated *cajas*, the Spanish government was unaware of the financial situation and the investments in the real estate market during the crisis. After the crash of the mortgage market in 2009, the number of bad debts increased and Spanish banks and *cajas* were not able to repay all those losses. By 2009, many construction companies went bankrupt and government announced first bailout of one *caja*. This had an influence on the bad image of the Spanish banking system, which caused withdrawals from depositors and that caused even more bailouts. The Spanish banking system was caught into a circle of instability, doubts and bailouts, which kept Spanish banks away from bankruptcy, while the Spanish economy was declining sharply (Harrington, 2011). In order to repay those bad debts and save *cajas*, Spain founded Bankia, the country's largest real estate lender and the fourth largest bank in Spain. Bankia represents seven Spanish *cajas* with bad loans that could not be supported without financial help and were therefore joined into one bank (Spain, 2012). However, by joining several bad banks, one does not get one successful bank. Therefore, Bankia now represents another big concern not just for Spain but also for the EU. After being partly nationalized in May 2012 for €4.5 billion of financial help from government, approved by European Commission, the bank would still need €23.5 billion of financial assistance in total in order to stabilize its balances (Cvebral, 2012). Another problem that Spain deals with is regional debt since its seventeen regional governments are facing deepening recession with problems in education and health care systems, trouble with repaying their debts and being forced to ask the national government for emergency financing. What really stroke Spanish happened in August 2012 when Catalonia, which is the most important for the Spain's economy, Valencia and Murcia asked for help accounted for €5 billion and €18 billion

(Kudacki, 2012). The Spanish banking sector was one of the sectors that was hit the most by the crisis, facing the most severe consequences. However, that does not mean that other sectors did not suffer from the negative impact of the crisis. As stated above, besides construction sector, the number of companies that went bankrupt was in service and industrial sector (Efe, 2012). Many service and industrial companies depend strongly on construction, which had consequences on closing down the companies. Companies which were able to survive still struggle and adapt their business in order to proceed with their business. How the service and industrial companies were hit in reality and which measures were taken by the actual Spanish companies is analysed in the empirical part.

2 COMPANIES' ADAPTATION TO THE CRISIS AND CHANGES IN MARKETING STRATEGIES

This chapter examines the situation in marketing departments in companies during the crisis, the effect that crisis had on marketing, measures and changes that were made because of the crisis in general and marketing, and finally, the crucial factors for the company's survival.

In the past few years, companies have faced difficult global economic situations and they needed to find and manage their way out of crisis in order to survive (Marasović et al., 2011). The external environment is constantly changing and companies, along with their marketing departments have to adapt to these changes, they have to understand them and know how to react to them (Hurzova, 2009, pp. 5-7). During poor economic conditions, the whole company, especially marketing department, has to struggle to obtain their target market since it is shrinking much faster than in normal conditions. According to the European Commission, the companies that are affected the most by the credit crunch are SMEs (Mórec & Raškovič, 2011, pp. 107-108). The ones that are hit the most by the crisis are those having middling market share. Therefore, according to some authors, those companies should withdraw from the markets on which they have weak position (Ang, et al., 2000, pp. 108-109). Companies should also adapt their marketing strategies in order to survive and be successful (Marasović et al., 2011) because strategies that are successful during prosperity times become, in most of the cases, inefficient during the times of crisis. All economic crises have a strong impact on customers not just economically but also psychologically since they feel less secure about their jobs. Therefore, they adapt their buying behaviour to adjust to changing economic circumstances (Köksal & Özgül, 2007). Consumers hit by crisis change their behaviour towards necessities and therefore strategies that are focused on increased and conspicuous consumption, impulsive decisions and satisfying hedonism will not appeal to them.

As well as individuals, companies are also affected but in different ways. They have to face severe competition and declining customer demand. Therefore, some of them are forced to shut down or drop some production capacity by reducing the number of

employees and delaying or even cancelling their investment projects. Similarly to consumers adapting their behaviour, companies must also take appropriate measures. Companies must first understand the effects of crisis on consumers in order to adjust marketing mix and target market for them to correspond to changes in consumers' needs, values and consumption (Ang et al., 2000; Köksal & Özgül, 2007).

Some scholars claim that in order to be successful on an ever-changing market, companies should use proactive strategies, define market segments and develop as well as position their products with the aim of meeting their target segments. In line with some authors, proactive marketing can also help companies take advantage of the recession, view it as an opportunity, continue investing and have a stronger control over the situation and therefore over the final outcome (Hurzova, 2009). Proactive marketing can be defined as “the organization's interpretation of the recession as an opportunity and the development and execution of a response to capitalize on the perceived opportunity created by the change” (Srinivasan, Rangaswamy, & Lilien, 2005, p. 11). Based on the existing literature and different scholars (Huang & Su, 2009), the crisis communication is highly important and a crisis response must be consistent, active and in a timely manner in order to protect or reduce the damage of its image and reputation (Aggerholm, Frandsen, & Johansen, 2011). Therefore, authors formed three categories of crisis response based on consistency, activeness and timeliness. By **timely response**, many doubts, threats and urgencies can be eased during the crisis if information is spread at appropriate times. Information spread at appropriate time was found to have a key role in stakeholders' satisfaction. **Consistent response** consists of communicating uniform messages that increase credibility and accountability of the companies, while inconsistent and contradictory information damage companies' credibility. However, during the crisis, the majority of information about objectives or facts is inconsistent. Last but not least is the **active response** that shows the straightforwardness and honesty of the company. It communicates that the company does not try to conceal information but tries to build a positive relationship between the company and its target audience. These are the three ways how responses are formed for crisis events (Huang & Su, 2009, pp. 7-9).

Many financial institutions were hit hard by the crisis and had to face changes in market environment and new regulations (Bank for International Settlements, 2012). Dangerous and foolish managers' decisions, risky behaviour of consumers and investors, ineffective regulations, greed and incompetence have led to a difficult period of adjustments and reflection. When financial crisis strikes, it becomes clear that many companies have inadequate systems of control and risk management, misleading accounting and low quality human capital (Sahlman, 2009).

A survey was made just shortly after the crisis started by Marketing Proofs, a website that joins expert marketers, marketing professors, leading authors and popular teachers, offering practical and unbiased marketing know-how. A survey that has been conducted

among 600 members of the site indicated that in 2008 marketers already started adjusting their marketing plans and budgets for the following years with more than half of them expecting negative effects on marketing overall. They also stressed that they would reduce the use of the traditional marketing means and increased their online budgets (Young, 2008). Another survey was carried out by Pepper, a marketing and communications agency operating across three continents, and the University of Augsburg about increasing focus on marketing performance measurement during current economic crisis. This study carried out among marketing and sales managers revealed that the crisis is perceived as negative by 82% of the companies surveyed and 57% of them reduced their marketing budget. Furthermore, two thirds of them believed that it would be better to simplify marketing processes. Interviewees believed that more emphasis should be put on customer satisfaction and customer relations than to brand awareness and new markets (During the current economic crisis, companies are increasingly focused on marketing performance measurement and analytic CRM, 2009).

According to John Quelch, a British business school academic and a Senior Associate Dean at Harvard Business School, and Madalin Matica, the European Funds Consultant, one of the first measures many companies all over the world take in order to deal with the crisis and save money is to cut down their marketing budgets and reduce their spending on marketing research that could help them managing the uncertainty that comes with the recession (Linked.In, 2008; Quelch, 2009). Meanwhile, cutting down marketing research expenditures, marketers must secure all the high-quality data and insights. Quelch also suggests that it is essential in those times to correctly interpret all core customers, the loyal ones and the most profitable ones, (Quelch, 2009) since customers' preferences and buying behaviour is likely to change in times of deep economic downturn. Therefore, companies must adapt their marketing strategies in order to meet changing customer buying behavior (Nistorescu & Puiu, 2009). The main objective of any marketing strategy is to gain competitive advantage. **Marketing strategy** can be defined as "a company's plan that defines how the company will use its strengths and capabilities in order to match the needs and wants of the market" (Ferrel & Hartline, 2002) and its purpose is to form effective and efficient responses to changing environment (Nistorescu & Puiu, 2009).

As unemployment rate was increasing and income level decreasing, customers' disposable income became smaller and the rate of consumer credit and bad debts rapidly increased. Consumers spent less money on premium products; they switched to cheaper brands and in most cases started buying only necessities. In order to meet customer's changing needs and to maintain or gain marketing mix, it is essential for companies to find the proper combination between all four P's of marketing mix since changes in marketing strategies mainly require changes in the elements of marketing mix and in focusing on the markets where their position is strong and competitive, and where the crisis has less affected the economy (Köksal & Özgül, 2007; Nistorescu & Puiu, 2009). Nonetheless, adapting their marketing strategies and marketing mix in crisis situations should not mean that companies

should cut marketing expenses, many authors and professors agree, but should instead keep or even increase their marketing spending (Nistorescu & Puiu, 2009). They claim that even though cutting advertising expense, companies should not cut more marketing expenses since marketing can be a solution to the crisis and with new marketing plans, companies can overcome the crisis (Linked.In, 2008; Nistorescu & Puiu, 2009). Their studies revealed that in general, the companies that increased or maintained their level of marketing expenditures improved their performance. They did not just face any significant losses, some of them even had profit, gaining the market share three times quicker than competitors after the downturn and even increasing the profit after the recovery (Köksal & Özgül, 2007; Nistorescu & Puiu, 2009).

Companies' response to the crisis was fast. Along with other reduction, the number of new trademarks that indicates marketing innovation also dropped by 20% (Organization for Economic Co-operation and Development, 2005). However, as the current economic crisis continues, more and more companies are aware of the fact that by cutting the marketing budget during the crisis they will save money on a short term but will lose more income on a long term. They have learned from the past crises to spend more on marketing in order to maintain market share and strengthen their brand for the time when economy returns to its normal and more stable state. Companies must see marketing spending as investment and not as an expense. Witawat Jayapani, the president of the Advertising Association of Thailand and the CEO of the advertising agency Creative Juice G1, believes that recessions must be seen as opportunity. According to him, large companies and market leaders are very well aware of that (Viboonchart, 2009).

The recession has affected almost every company, in one way or another, forcing them to adjust their strategies. The adaptations made by actual companies operating in Slovenian and Spanish markets are also presented in the following chapters (see Chapter 6.1.). However, there are some companies that have certain degree of business no matter what the economic situation on the market is (How could the current financial crisis affect marketing companies, 2010) and some large multinational companies with strong brands, such as for example Nike, that can cut their marketing expenses and still maintain their leading position. After two years from the beginning of the crisis, Nike started to reduce costs in brand marketing, sponsorships and endorsement, along with General Motors and FedEx that also reduced their marketing budgets intended for sport sponsorship. They also found a solution in reducing marketing costs, but at the same time still not losing customers, in new marketing strategy that focuses on social networks, e-mail messages, word-of-mouth advertising and cheaper YouTube campaigns (Cutting marketing costs, 2009).

3 CONCEPTS THAT HAVE AN IMPORTANT IMPACT ON COMPANY PERFORMANCE

This chapter presents in closer detail the three factors that have, according to some authors, significant influence on company performance. In the beginning, the theoretical background of marketing innovation is presented and then followed by definition and explanation of market orientation. Finally, the theoretical analysis of competitive advantage is made. Since innovation is becoming increasingly important for company's competitiveness (Lawson & Samson, 2001, p. 378), the thesis's objective is to discover how competitive advantage derived from marketing innovation influences the company performance, what the direct and indirect influence of market orientation on company performance is and if marketing innovation that improves marketing mix can contribute to the company's survival in the economic crisis (Naidoo, 2010, pp. 1311-1312).

3.1 Focusing on innovation

Innovation normally requires a long-term commitment and vision in order to give results (Lawson & Samson, 2001, p. 381). Rehab and Suliyanto (2011) have distinguished between four different types of innovation that have influence on the company performance: product, process, marketing in organizational innovation. This subchapter presents a short introduction of all four types of innovation, even though the focus of my study is marketing innovation that involves innovation in all four P's of marketing mix.

Product vs. process innovation

In academic papers, innovation normally refers to a new product. In 1982, Booz, Allen and Hamilton classified **product innovation** into six main types. This is still used by many marketers. The six main types are (Johne, 1994, pp. 47-48):

1. **New-to-the-world product** that forms completely new markets;
2. **New-product lines** with which companies can enter the already existing market;
3. **Improvements and revision to existing products** that improve performance and perceived value and replace old existing products;
4. **Additions to existing product lines** with supplement products for companies' existing product lines;
5. **Cost reductions** that produce new products with similar performance at lower costs;
6. **Repositioning** of products, being targeted to different segments on different markets.

Nevertheless, one should also distinguish between product and process innovation since product innovation normally precedes process innovation (Chenavaz, 2011). Therefore both types of innovation are discussed together in this section.

Product innovation normally covers both, products and services. It is defined as an introduction of a new or improved product or service. It can contain new technologies or know how, new usage ways or just updates in components or material. In the case of services, innovation can signify totally new service or just some new and improved ways of implementing the services. **Process innovation** stands for improved ways in production or delivery with the objectives of producing better products or services, lowering production costs per unit and improving quality. In order to achieve this, company must find new or improved techniques, equipment and support services (Alpkan, Gunday, Kilic, & Ulusoy, 2011; Bodlaj, 2009). Product innovation is one of the key elements for company to face changes in markets, technology and competition (Dougherty & Hardy, 1996) while process innovation is important especially in services (Johne, 1994).

Marketing vs. Organization innovation

The other two types of innovation that affect company performance are marketing and organizational innovations that are defined in this section. Because of my focus, more emphasis is put on marketing innovation and less on organization innovation.

Marketing innovation represents new marketing methods and involves innovations into all four P's of marketing mix. Nonetheless, as stated by some authors, marketing innovation "is not just an implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion and pricing, but is also a key mechanism for company's growth and renewal" (Lawson & Samson, 2001; Organization for Economic Co-operation and Development, 2005). Meanwhile, the **organization innovation** represents an implementation of some new organizational method that reduces administrative and transaction costs, by improving workplace satisfaction or reducing costs of supply. In that way, organizational innovation can improve company performance (Rahab & Suliyanto, 2011, p. 139).

On the organizational basis, companies are challenged by the connection of innovations with routine structures and strategies that can be inconvenient to creativity. There are three key areas in which company must make successful innovation-to-organization connections. The first area includes resources, such as money, experience, equipment and information that should be available for the new product. The second area consists of collaborative structures and processes that should be designed in order to solve problems creatively and make decision continually, connecting innovations with existing business. Finally, the third area involves strategic value and meaning to incorporate innovation in company's strategy (Dougherty & Hardy, 1996).

3.1.1 Marketing innovation and its factors

The aim of marketing innovation is to increase company's sales through reaching new markets, positioning their products in different ways and reaching customers' needs in an enhanced way. Companies have to adapt to ever changing markets, technologies and modes of competition (Lawson & Samson, 2001; Organization for Economic Co-operation and Development, 2005). Therefore, as already mentioned in the definition, what has to be adapted the most to the market situation are the four components of marketing mix in order to be consistent with customers' needs, values and consumption pattern (Ang et al., 2000, pp. 111-112). Consequently, marketing innovations in product design or packaging, product placement, product promotion and pricing are essential in the time of the crisis (Organization for Economic Co-operation and Development, 2005).

Why is marketing innovation of such importance? Recently, much importance has been put on innovation since it is seen not just as the main factor for outperforming competitors and withstanding the economic turbulences but also as one of the key steps in company's survival, providing quick innovative solutions (Naidoo, 2010). Many studies have proved what literature suggests about innovativeness being a key determinant (for business performance) worth studying since many authors have linked innovativeness with company performance. They believe that innovativeness is a key step in gaining competitive advantage since it is vital for the company's growth and survival (Deshpandé, Farley, & Webster, 1993). Given these facts, the results of a survey conducted among Slovenian companies were surprising. The analysis revealed a decreasing number of innovation activities in the period of 2008-2010, decreasing foundation into R&D and decreasing revenues from new products or services (Makovec Brenčič, Mõrec, & Rašković, 2012).

According to some authors, companies' innovation must not only *exceed* global frontiers but create products or processes that shift technology frontier. There are external and internal factors that encourage innovation. The **internal factors** encompass all the companies' capabilities and processes which create and commercialize technology while the **external factors** focus on companies' external environment. In order to understand company's external environment and the influence of national circumstances on differences in innovative output, a survey was conducted by Porter and Stern (2001). The results showed that the local environment is in fact important for innovation's success since only a small number of the country's characteristics cause big differences in innovative output. Therefore, companies must be aware of the environment and develop the innovation in its most suitable and attractive environment (Porter & Stern, 2001, pp. 28-30).

3.1.2 Innovations in marketing mix

In the marketing literature, innovation normally refers to a product innovation with new-to-the-market products (Han, Kim, & Srivastava, 1998). A **new product** can be defined as “the one which is intended to those customers that are not familiar with the company or those that require unfamiliar product or process technologies”. A company can also adapt to changes in the environment (market, competitors and technology) with innovations in a product design (Dougherty & Hardy, 1996, p.1120). The marketing innovation in **product design** refers to different changes in a product's form, appearance and also packaging without altering its functionality and characteristics (Organization for Economic Co-operation and Development, 2005). With regards to many authors, there are several organizational characteristics, such as organizational configurations, culture, leadership, strategy and their combinations that are connected to the successful marketing innovation in the product design (Dougherty & Hardy, 1996, p. 1120). One study showed that a product innovation was a fragile and vulnerable activity. When focusing on the product innovation, companies can face two problems that depend on the affected subject. It can affect either particular project or organizational context. Problems that affect a particular project are connected with positioning, development, marketing and sales, managing new markets and sharing knowledge. When these problems are solved, company can have a sustained innovation. Many companies also find it hard to manage a number of different product innovations over time, so-called **sustained product innovation** that is defined as “the generation of various new products that over time becomes strategically necessary.” These problems have to be dealt with especially by those companies that have a long history of stable businesses. Those companies with stable operations are the ones that are hit the most and suffer the most by the changes in the environment since, in order to survive, they have to be innovative and therefore adapt their operations (Dougherty & Hardy, 1996, pp. 1120-1121).

In a **product placement** area, the marketing innovation mainly refers to the introduction of new sales channels (Organization for Economic Co-operation and Development, 2005) while new marketing methods in pricing include the usage of new pricing strategy for a company's product or service (Organization for Economic Co-operation and Development, 2005). Considering distribution, companies should relocate their resources to better performing channels (Köksal & Özgül, 2007). Process and product innovations have strong effects on **pricing policy**. With decreasing production costs in a process innovation, a company is able to lower the price of the product. The product innovation can influence the pricing in two different ways: with increasing quality of the product, companies can also increase the prices or they can increase sales with lowering the price (Chenavaz, 2011). By cutting down the prices, a company can increase sales on a short term but each cut can significantly damage company's profitability and brand image on a long term. Still, in some industries and markets, the price stability had no significant impact on company performance during the crisis. There are two price strategies that could be adopted during

the crisis: to maintain the quality and lower the price or to increase quality and maintain the price. Still, the pricing strategy adjustments during the crisis should be connected with other elements of marketing mix (Köksal & Özgül, 2007). In a **product promotion**, the innovation mainly refers to the new concepts of promoting in order to distinguish their products from counterparts (Organization for Economic Co-operation and Development, 2005). One empirical study showed that sales effects caused by temporary marketing actions such as price promotions or feature advertising were rarely permanent (Pauwels & Slotegraaf, 2008). In the same position as the marketing expenditure situation is also advertising. Those companies that invest more into advertising campaigns that should emphasize rational motives are supposed to have increased sales, market share and income not just during the crisis but also later on (Köksal & Özgül, 2007).

3.1.3 Other types of innovation

Different companies innovate in different ways (Nargundkar & Shergill, 2003, p. 6). Two types of innovation have been identified in organization: radical and incremental innovation. **Radical innovation** is based on technology or knowledge changes as well as discovery of something new and signifies big changes. On the other hand, **incremental innovation** refers to small updates and advances of already established technology or knowledge (Naidoo, 2010). Along with these large changes, the radical innovations differentiate significantly from previous practices and the incremental ones signify only the slightest deviation from current practices (Bodlaj, 2009). In the literature, marketing innovation has been placed as one type of incremental innovation (Naidoo, 2010).

Many other authors also distinguish between **technologically-related innovations** that concern products and processes, and are linked to basic working processes and **administration-related** innovations that are linked indirectly to work activities and involve organizational structure and administrative process (Han et al., 1998, pp. 32-33).

3.2 Focusing on market orientation

Throughout the decades, many authors have claimed that the companies that would persuade market orientation would improve their market performance (Narver & Slater, 1990, p. 46). In the past years, company's market orientation has been considered as vital when analysing company performance since market orientation encourages continuous improvement of company's processes and services (Kumar et. al, 2011, pp. 17-18).

Market orientation is the main focus of recent marketing concepts and implementation of marketing concepts (Naidoo, 2010) since, according to some authors, it represents the main element for gaining a superior company performance and the first step to responding to changing environment (Han et al., 1998; Rahab & Suliyanto, 2011). What is behind the term market orientation is discussed in the following subchapter.

3.2.1 Definition of market orientation and its components

Throughout the literature, many definitions of market orientation have been formed. Atuahene-Gima (1996) defines **market orientation** as a »set of activities that reflect an organization's degree of adoption of the marketing concept philosophy« (Atuahene-Gima, 1996, p. 93), while others define it as “the organizational culture that effectively and efficiently creates the necessary behaviours in order to create 1) a superior value for buyers and 2) continuous superior performance for the business” (Nargundkar & Shergill, 2003). Different authors summarize that (besides its primary objective of delivering superior customer value) market orientation is also a learning process where companies can benefit from learning from their customers and competitors. They also emphasize that the degree of learning is different based on environmental changes and that economic crises are different and do not occur frequently. Therefore, learning is less useful in advance and in non-crisis situations (Grewal & Tansuhaj, 2001). Furthermore, because of the superior knowledge about the customers, competitors and markets, market oriented companies are in a better position to satisfy their customer's needs and retain their customers in comparison with non-market oriented companies (Kumar et al., 2011; Grewal & Tansuhaj, 2001). They understand customers' changing needs and adapt their offering according to those changing needs. This is of great importance for improving a long term performance, especially in highly turbulent markets and times when customers' preferences and buying behaviour change very frequently. Thus, some scholars claim that market orientation should be used as a source to work through turbulent times or in turbulent environment (Kumar et al., 2011, p. 20).

Taking into account the literature about market orientation, there has been a difference between market orientation and marketing orientation. **Marketing orientation** is simply the execution of a corporate philosophy and is focused on customer while **market orientation** focuses not just on current customers but also on the potential one along with competitors (Nargundkar & Shergill, 2003). Therefore, in accordance with the literature, three behaviour components of market orientation can be identified: customer orientation, competitor orientation and inter-functional coordination. The first two components consist of gaining information about customers and competitors on a target market while the last component is based on these gathered pieces of information and on creating a superior value for customers. A company has to be customer oriented and competitor oriented and inter-functionally coordinated if it wants to deliver superior value.

1. **Customer orientation** involves understanding customers so that the company is able to create continuous superior value and also its entire value chain for the time being and for the future, to know and to understand customers' customer in order to understand its potential customers and their demands temporarily and in the future;

2. **Competitor orientation** stands for company's understanding of its current and potential competitors' strengths and weaknesses as well as of long term capabilities and strategies;
3. **Inter-functional coordination** means how company coordinately utilize its information and resources to create continuous superior value for its customers where every employee in the company can potentially contribute in the creation of an added value (Narver & Slater, 1990).

All three components are of equal importance in their informational value (Han, et al., 1998, p.31). Adapted from many different authors, Bodlaj (2009) outlines that one also has to consider other shareholders when defining market orientation. Many authors further developed main definition of market orientation, including also shareholders and environmental factors, shareholders and corporate social responsibility, international dimensions, long-term relationships with different links in marketing channels and employees' orientation. This is of crucial importance since managers have to consider also other groups of shareholders when making marketing decisions (Bodlaj, 2009).

Narver and Slater also discussed two decision criteria in market orientation: long-term focus and profitability. **Long-term focus** includes tactics and investments to create additional value so that competitors do not overcome their competitive advantage. **Profitability** or economic wealth is seen as a component and as a consequence of market orientation. A company has to adapt all three components in order to deliver superior value for its target customer if a company wants to maximize its profits (Narver & Slater, 1990). With regards to some authors, Narver and Slater claim that market orientation is important especially in small companies since they usually do not have enough of the financial support to invest in other sources of profitability (like R&D) (Narver & Slater, 1990).

If a company is eager to create a product or service containing superior value, it has to undertake the three activities that are representative activities of market orientation that reflect a degree to which a company adopts marketing concept philosophy (Kohli & Jaworski, 1990, p. 3). These three activities are: the collection of market information across the company, spreading of that information across the functions and the company's responsiveness to this information. According to several authors, products produced by market oriented companies have a bigger competitive advantage, leading to customer satisfaction and repeated business (Atuahene-Gima, 1996).

3.2.2 External vs. Internal Market Orientation

Several benefits have been associated with the company's adaptation of the market orientation. Much emphasis was put on the connection between market orientation and company performance. Many scholars focus not just on the external market orientation

(marketing) but also on the internal one, internally promoting company to its employees. The internal market orientation therefore focuses on employees while the **external market orientation** concentrates on customers and competitors. In my research, the focus will be put more on the external market orientation that is defined above. However since many studies showed that both, external and internal market orientation have significant impact on company (financial and non-financial) performance and those companies should achieve balance and coexistence between the both focuses, I will shortly describe internal market orientation as well. Focusing on and examining the components of the internal market orientation can lead to a better understanding of a company, promoting services to employees and helping employees to adapt to changes and procedures in their company and environment. Consequently, these measures increase the chances of the company's success since employees are more prepared for dealing with challenges arising from their internal and external environment (Pinho & Rodrigues, 2012, pp. 284 - 289).

The internal market orientation (marketing) is therefore one of the key factors for the success of the external market orientation, driven by motivated employees. The internal marketing is defined as “a marketing approach that motivates, integrates and inter-functionally co-ordinates employees to become customer-oriented and behave according to corporate and functional strategies for delivering customers satisfaction”. The internal market orientation is therefore a precondition for a better quality of public service among employees and better performance since, internally, managers' behaviour towards other subordinates affects their behaviour. Externally, this can affect customer satisfaction, service quality and financial performance (Pinho & Rodrigues, 2012, pp. 290-291).

An analysis was conducted in the period of 2008 and 2010 among 101 Slovenian companies by Makovec Brenčič, Mõrec and Rašković, showing the importance of the internal and external marketing. Their research showed that the relationship orientation is of increasing importance during economic crisis. It revealed that internal and external marketing are strongly connected but still, only the internal marketing (relationship orientation) has a direct effect on company performance. As many authors have stated, an internal and external organizational relationship can represent companies' key resource and can be a source of its flexible competitive advantage. According to the authors, building strong and high-quality relations with both, the employees and customers can represent a key to success in critical situations, such as crisis (Makovec Brenčič, Mõrec, & Rašković, 2012).

3.3 Focusing on competitive advantage

In order to survive and prosper in this challenging and competitive environment, it is of utmost importance for companies to use new technologies and knowledge with the intention of developing new sources of a competitive advantage. The competitive advantage is strongly connected to the performance since many authors claim that long-

term sustainable competitive advantages lead to better company performance (Gulev & Omerzel, 2011). Therefore, in this case and in the case of my research, the **competitive advantage** can be defined as “a strategy that creates superior value and has not been implemented by any other competitor” (Naidoo, 2010).

In order to sustain the competitive advantage, companies have to be able to create products and processes by using advanced technology at a global level and moving faster than their competitors (Porter & Stern, 2001). For the same reason as creating competitive advantage, companies have to be competitive and develop distinctive competences that form a basis for competitiveness. In order to be competitive, a company should improve its existing abilities and master new ones and faster than its competitors, use technology and all other equipment and elements in the company adequately, create positive attitudes, self-confidence and efficient team work in a company. **Competitiveness** is defined as “a company’s ability of providing products and services as or more effectively and efficiently as its competitors, to provide products or services at lower costs or better quality.” The potential measures of competitiveness include: profitability of the company, regional/global market share and export quotient of the company that represent export or foreign sales divided by output along with cost and quality (Gulev & Omerzel, 2011, p. 391).

In the creation of competitive advantage, the key importance is put on the **internal factors**, distinctive competences. There are two types of competences: resources and capabilities. **Resources** are divided into tangible and intangible assets. **Tangible assets** are physical assets that are owned by the company, such as unique product while **intangible assets** provide special value without physical existence. Under intangible assets, authors place brand equity, reputation, knowledge customer confidence, intellectual property, reputation of the company and databases that are owned by the company (Gulev & Omerzel, 2011, pp. 347-348).

Capabilities include company’s skills such as people, processes and value that manage the resources to be used productively since it is a better use of these resources that leads a company towards superior performance. Capabilities (especially the know-how and managerial abilities) are therefore the main source in creating and sustaining competitive advantage that leads to company’s better performance. Along with all types of competences and resources being of great importance (especially the intangible assets and capabilities since they consist of complex assets and are therefore difficult to imitate), they are also interdependent in the creation of a competitive advantage. The reason for that is the fact that company must have not only unique resources but also capabilities for effective use of these resources (Gulev & Omerzel, 2011, pp. 336 - 337).

Due to the changing environment and nature of work, sources of competitive advantage shift from tangible resources to more intangible ones. For creating a sustainable

competitive advantage that leads to superior performance, the most crucial intangible source is knowledge since it is the most difficult to imitate. However, according to Porter, the basis for competitive advantage is still the company itself. For that reason, Porter developed three generic strategies that represent the basis for creating competitive advantage inside the company: costs leadership, differentiation and focus. A company normally adopts **cost leadership** strategy when it is able to produce products and services at lower costs but still preserve the same prices as its competitors. Companies with this strategy normally have relatively high market share and target at customers with basic needs that have need only for cheap products or services that normally come with lower quality. **Differentiation** strategy is focused in greater detail on providing a superior quality of products or service, even though some authors claim that differentiation can be just another version of the cost leadership strategy. Differentiation is normally reached with some competitive competence or skill of a company in comparison with competitors. **Focus** or market niche leadership strategy is adopted when a company can satisfy specific needs and demands of a small and specific group of customers with its specific skills and know-hows. Focus strategy can be seen as a part of differentiation strategy, even though it is normally adopted by companies that lack resources to develop cost leadership or differentiation strategy. For developing competitive advantage, companies can adopt one strategy or another or the combination of more (Gulev & Omerzel, 2011; Gurau, 2007; Naidoo, 2010). The question which strategy is most common on Slovenian and Spanish the markets is analysed in the empirical part.

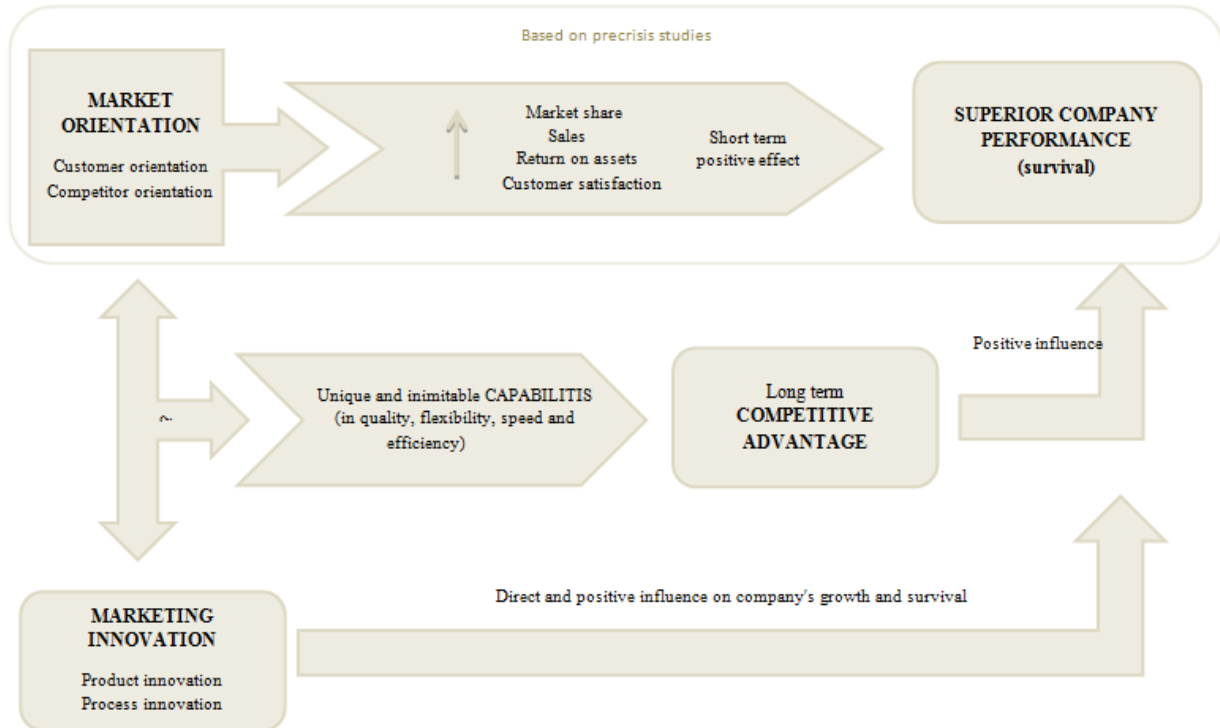
4 CORRELATION BETWEEN THE CONCEPTS AND THEIR IMPACT ON COMPANY PERFORMANCE (SURVIVAL)

This chapter explores the connections between the three concepts explained above and their influence on company performance, especially in times of crisis.

Across the literature, different connections have been examined between market orientation, marketing innovation, competitive advantage and company performance. Naidoo (2010) linked all four concepts together, one being dependent on another. According to his study, a company must adopt market orientation strategy in order to exhibit marketing innovation skills which are essential for creating and sustaining competitive advantage that helps a company perform better and survive an economic crisis (Naidoo, 2010). Other research in this field of work showed that market orientation can directly or indirectly through marketing innovation influence company's competitive advantage and consequently company performance (Makovec Brenčič et.al, 2012). What are the real connections between all four variables according to different authors and how do they affect one another? In the following subchapters, these connections are analysed separately and according to different authors since many studies have been conducted on this theme, each giving slightly different results. Based on the connections between these four concepts, I designed a model below (Figure 1) which was used as a key basis for the

comparison and overall analysis in the empirical part and is further explained in the following subchapters.

Figure 1. Theory based model



4.1 Market orientation - marketing innovation relationship

The connection between market orientation and marketing innovation was and still is an important subject of debate (Atuahene-Gima, 1996, p. 93). Some scholars insist that market orientation can be an essential part in the early stage of innovation since it can widen the company's scope of new customers and business processes (Naidoo, 2010) and can lead to successful marketing innovation and consequently to superior performance. Meanwhile, others argue that market orientation influences negatively not just product innovation but also company performance. They believe that market orientation leads to uncompetitive "me too" products instead of to a real innovation (Atuahene-Gima, 1996; Bennett & Cooper, 1981).

In relation to Atuahene-Gima (1996) and his study, the influence of market orientation on innovation can be measured by various factors. The first one is a degree of product newness where products are placed into two categories. The first category is from customer's perspective and includes reformulated products such as modifications and extensions. The second one is from company's perspective and represents new-to-the-world products and product lines. Other scholars believe that because of the benefits of market orientation, company's innovations are more likely to satisfy customers' needs and

influence the success of the innovation. However, his study along with other studies revealed that market orientation has no significant influence (negative relationship) on innovation in terms of the degree of product newness. The second factor is product-company fit that analyses the deviation between the resources needed for an innovation and the resources that company possesses. According to some scholars, this factor is a key factor for the success of product innovation. The relationship between this factor and market orientation predicts that competitive strategies of a company are implemented in a way that maximizes the value of the capabilities. Therefore, they claim that market orientated companies have, due to better understating of customers' needs, an advantage at developing products that match their own resources. The third one is product advantage that discusses customers' benefits that arise from the innovation's outcome. Atuahene-Gima proposed in his research that product or services produced by market oriented companies are produced at a greater advantage compared with non-market oriented companies. Furthermore, he established that a higher degree of market orientation means a higher product advantage for the customers. Indeed, his research showed a positive relationship between market orientation and product advantage. Last factor is inter-functional teamwork and refers to coordination among different teams that should share goal orientation which can lead to more effective team work and innovation process without detriment. Market orientation is perceived as enhancing teamwork. Since inter-functional teamwork as a part of innovation process is an outcome of market orientation, a higher degree of market orientation should lead to higher inter-functional teamwork (Atuahene-Gima, 1996, pp. 93-96).

The strength of the relationship between market orientation and marketing innovation also depends on environmental conditions since the influence of market orientation on innovation performance differs from products to services, having greater influence on the performance of service innovation. Because of the intangibility of services, the risk perception is higher and the quality is more difficult to evaluate. In service industry, the success of innovativeness depends on the relationship company-customer since this relationship is used to judge the quality of a new service. Services are also easier and quicker to develop and are furthermore easier to imitate. Therefore, service companies face severe market competition. Since there is a lack of storage opportunities for service, these companies have to collect and process all information, connected with the innovation, faster and more precisely. Because of these factors, in order to have successful innovation, service companies need a higher degree of market orientation. However, the survey that was conducted by this author did not show a strong support to their predictions about greater influence of market orientation on service innovation even though service companies are more market oriented than manufacturing companies (Atuahene-Gima, 1996, pp. 93-97).

4.2 Market orientation - market innovation - competitive advantage correlation

The understanding of both customers' needs and competitors' actions – as components of market orientation – are, along with market trends, necessary steps when developing capabilities for a long-term performance. Being **focused on a long-term** is necessary since all investments in capabilities and innovations take time to deliver some results. These results are more likely to be observed in a long run. Developing and improving market orientation can, through distinguishing company's capabilities, result in **sustainable competitive advantage**. Market orientation can lead to competitive advantage only until its capability is perceived as distinct and unique as it can also be seen from Figure 1. Contrary to that, some authors believe that market orientation can sometimes lead to too narrow focus around customers' current needs and this does not lead to capabilities resulting in competitive advantage. Furthermore, authors emphasize that market orientation can lead to sustainable competitive advantage and a long-term performance only when company's processes and capabilities are not imitable (Kumar et al. 2011, pp. 17-18).

Marketing innovation is also supposed to be a crucial part in development process of competitive advantage. Important sources of competitive advantage are strategic assets. Innovation helps a company ensure that these assets are difficult to imitate. Innovation can do this with its powerful capabilities in quality, flexibility, speed and efficiency that can help bring new products to the market in a way that is faster, more frequent and with lower cost in comparison with competitors. As innovation is continuous, the company should sustain this source of competitive advantage bringing it to the desired outcome (Lawson & Samson, 2001; Naidoo, 2010).

4.3 The influence of market orientation, marketing innovation and competitive advantage on company performance

For a long time, market orientation has been considered as a key factor in company superior performance (Han et al., 1998, pp. 31). Furthermore, a company must use all information in order for market orientation to have an influence on business performance (Rahab & Sulyanto, 2011, p. 135). Different types of connection between market orientation and performance have been investigated, such as direct influence of market orientation on performance or indirect one, including innovation as moderating variable, presented in Figure 1. The latter helps market orientation convert into superior performance (Naidoo, 2010).

Market oriented companies have, along with all information about customers' needs and competitors' strength, strong motivation to achieve better customer satisfaction that leads to superior performance. When a company efficiently and effectively use this unique information it has about external and internal environment, its capabilities can transform into sustainable competitive advantage. As demonstrated in Figure 1, some studies

conducted prior the crisis showed that a higher degree of market orientation had led to improvements in sales and profitability, market share, customer satisfaction and return on assets in a short run. However, in different economic circumstances such as crisis, market orientation is not associated with company performance. Since market orientation is an ongoing process, companies can adapt their level of market orientation in order to be competitive on the market. Since other competitive companies can also be market oriented, one should be careful since market orientation can become a failure preventer instead of a success provider. Even though the degree of market orientation depends on the sector, nowadays the majority of companies are market oriented. Therefore, market orientation has really become more of a failure preventer. When more companies become market oriented, benefits of market oriented companies start to diminish and customers start to expect better quality of products or services from those companies. Even though market oriented companies have better performance and position in turbulent times, all the circumstances listed above eventually lead to diminishing influence of market orientation on company performance. Nevertheless, in a highly competitive environment, companies that have a higher level of market orientation perform better. Therefore, based on their research, Kumar, Jones, Venkatesan and Leone concluded that market orientation does have a positive influence on company performance (Kumar et al., 2011, p. 26).

A research was conducted among Slovenian companies by analysing the relationship between these two variables, focusing on the influence of external and internal market orientation on company performance. No significant connection was found between external market orientation and company performance. The internal and external orientations are strongly connected but still, only internal marketing is directly connected with company performance. Then again, just because of that it cannot be concluded that external market orientation is not an important source of company performance during the crisis, but it acts more as a buffer (Makovec Brenčič et al., 2012) since many studies showed an important impact of customer and competitor orientation on the performance. Many scholars examined effects of all three behaviour components of market orientation on company performance but studies showed opposite results. According to some authors, both components – customer and competitor orientation – have significant influence on company performance, while Pinho and Rodrigues established that customer orientation is the only component that has a direct impact on company performance (Pinho & Rodrigues, 2012).

As it has been proven in many studies and shown in Figure 1, innovation is also linked to business performance. According to a study conducted by Han, Kim and Srivastava (1998), there is a direct positive connection between performance and innovation. In times of uncertain environment and stiff competition, innovation is gaining in importance not just in the sense of growth but also survival (Han, Kim, & Srivastava, 1998, pp. 30-31). According to the research conducted by Rahab and Suliyanto (2011), all four types of innovation that were defined in previous chapter (product, process, marketing and

organizational innovation) have significant positive role since they increase total sales, market share and export. They found product innovation and consequently process innovation as a key driver towards company performance (Kumar et al., 2011; Rahab & Suliyanto, 2011). Innovation is also directly and positively linked to financial performance since it increases with increased market performance that depends on higher and stronger innovative capabilities (Rahab & Suliyanto, 2011, pp. 135-136).

Whether or not there is a connection between market orientation and company performance has been an issue throughout the literature for many years and was already discussed and showed above. Taking into account all the existing literature, the majority of authors discuss the positive connection between market orientation and company performance since market orientation gives a company a superior chance to better understand and retain its customers. Still, some studies negate any significant correlation between the both. For that reason, some authors add marketing innovation as a missing link and a moderating factor between market orientation and company performance. Therefore, according to the authors, the influence of market orientation on company performance can be direct or indirect through innovations. Some authors see innovation as the key driver of market orientation – company performance connection (Han et al., 1998; Naidoo, 2010; Rahab & Suliyanto, 2011). In spite of all studies, Figure 1 shows that the relationship between market orientation and innovation is not fully explained (Naidoo, 2010). Some authors claim that market orientation does not necessarily mean that a company is also more innovative because innovation does not always coexist with market orientation. Moreover, the scholars emphasize that effects of market orientation differ depending on the level of innovativeness (Augusto & Coelho, 2007). Through the literature many studies have been conducted based on defining the relationship between competitive advantage and company performance from which some of them did not establish any significant connection between competitive advantage and company performance. Still, the majority of studies have confirmed that competitive advantage can lead to superior performance and even influence company survival (Naidoo, 2010).

Regarding literature and surveys made by Han (1998) and summarized by Nargundkar & Shergill (2003), there is a (strong) link between market orientation, innovation, competitive advantage and performance. Still, there are findings showing that positive connection between innovation and performance is stronger than between market orientation and performance. Knowing and understanding connections between them is, along with other variables (size, age of the company, its environment), important for strategic planning (Nargundkar & Shergill, 2003) which is significant for each step company takes, especially in times of crisis.

5 METHODOLOGY OVERVIEW AND COMPANIES' OVERVIEW

5.1 Methodology overview, data collection and limitations

This first chapter of the empirical part covers the explanation of main objectives of my research, the explanation of selected methodology of my research, the background of conducting the interviews and collecting data along with all limitations I have faced in the process of gathering the data.

The **main objective** of my research is to analyse and compare the effects of market orientation, marketing innovation and competitive advantage on the performance of Slovenian and Spanish companies in different sectors during the crisis based on the model presented in the theoretical part. Within this objective I will:

1. Research and analyse the direct and indirect influence of market orientation on company performance;
2. Research and analyse the influence of market orientation and marketing innovation on development of capabilities that form a basis for competitive advantages;
3. Research and analyse the connection between the concepts and their effects on company performance;
4. Compare these connections in Slovenian and Spanish companies;
5. Compare findings with theoretical background in order to establish similarities and differences.

The **main research questions** I have focused on in my thesis research, while examining the influence of the crisis on marketing and consequently on performance, were as follows:

1. How did the crisis influence company's business and marketing strategies and how have investments in the area of marketing changed in different companies during the last few years?
2. How important was their market orientation, what was the role of marketing innovations, especially into marketing mix in this period?
3. What is the correlation between market orientation and marketing innovation, and what is their role in creating and obtaining competitive advantage?
4. What kind of influence does market orientation have on company performance?

5. What is the connection between marketing innovation, competitive advantage and company performance?

Objectives of comparing analysis from both countries were to find if and how the perceptions of the selected concepts differ in both countries, how marketing strategies have been adapted in both countries during the past few years, how much importance they have put on marketing and which companies – either Slovenian or Spanish – were more successful in facing the crisis.

5.1.1 Methodology

A qualitative research as well as a quantitative research has its advantages and disadvantages. The qualitative research is normally carried out with open-ended questions providing wider questions and additional information while the quantitative research is focused more on objectives methods of gathering data (Key, 1997). The topics and the objectives of the research normally define which type of research a researcher should follow. In papers which are based on quantitative research, the hypotheses are developed and tested throughout the research conducted on statistical tests. Qualitative researches cover greater scope of methods since they cannot refer to statistical data. Moreover, the results cannot be put into tables (Bansal & Corley, 2012). Even though, in the past, many researchers saw subjectivity, small samples and nonreplicable efforts as disadvantages of qualitative research and their criticism has not changed a lot (Wright, 1996). I decided for **qualitative research** to be the red line in conducting my own research for one reason only: I needed a deeper understanding and broader knowledge of company performance during the crisis situation.

Based on the topic of the thesis and its main objectives, I decided that the best way to perform the analysis is by carrying out **in-depth interviews**. One of the many reasons why I have chosen efficient in-depth interviews (Wright, 1996) as my primary research method is the way how the interview becomes less structured after initial basic questions, giving the interviewer more freedom to lead the conversation towards the information needed. Personal interviews give an interviewee a chance to provide an interviewer with additional explanations and supporting material if needed. All these factors therefore enable an interviewer to acquire deeper and richer information in order to obtain more accurate picture of the situation (Churchill & Iacobucci, 2010; Theodorakioglou & Wright, 2000). Furthermore, personal interviews create more personal relationship between both parties, based on trust, which consequently results in many more pieces of information gathered. Along with all advantages in-depth interviews provide, many researchers expose the fact that conducting personal interviews is more expensive and time-consuming than any other quantitative research (Theodorakioglou & Wright, 2000), which turned out to be not far from the truth.

5.1.2 Collecting data

Purposive sample (bias in the sample) is made out of six Spanish and Slovenian companies (three companies from each country) that have operated for at least 10 years, so that I could compare the differences before and during the crisis situation. The random sample in my case was not relevant since selected companies had to reach some basic predispositions (Wright, 1996). Primary data was obtained in one-on-one (and in most cases face-to-face) interviews with general directors or marketing directors of each company. Conversations, which lasted 55 minutes on average, were later transcribed. Interviews with equivalent research instruments among Spanish companies were carried out in Madrid in January 2013 and the ones among Slovenian companies in spring 2013. I strived to find companies that operate within the same sectors in order to make the comparison more relevant. Because of my assumption that it will be more difficult to obtain companies' responses in Spain than in Slovenia, I decided to conduct the research in Spain first and adjust the selection of Slovenian companies to the sectors of Spanish companies. This limited the number of Slovenian companies that could otherwise be adequate for my investigation (Wright, 1996). All three interviews that were conducted in Madrid were carried out in person in the company, except for one that was realized by Skype due to the absence of the director.

When conducting the interviews I had a reminder with questions (see Appendix 2) which were translated into language of the country. These questions were adapted in each interview based on the answers I obtained from an individual interviewee. Therefore it could happen that incomplete answers were obtained at every question at each company and not all questions were relevant for every company.

The interviews started with general information about the company, which gave me a general insight and overview of the companies, their background and area of business. It helped me understand why they work the way they work. The main part of the interview was divided into three parts. In the beginning, I focused on examining how the current financial crisis affected companies selected, what their response was and how the crisis affected their marketing department or marketing in general – since smaller companies normally do not have special marketing department. The questions in the second part helped me understand the concepts of market orientation, marketing innovation and competitive advantage – already analysed in the theoretical part – from the companies' point of view, to see and understand how they perceive market orientation, marketing innovation and competitive advantage. Furthermore, I wanted to examine if they followed these concepts in any way and if the importance put on those concepts had changed during the last few years. The last part was dedicated to the analysis of their performance during the last six years. In the literature, most common measures taken for measuring company performance are profitability (net profit, return on assets) and growth (growth in sales, growth in market share). Therefore, I used profit, market share, and sales growth as three

main measures of company performance. Based on the questions of the last part, an analysis of how companies perceive the connections, impacts and consequences between the concepts is made. The analysis was made separately by parts for both countries. At the end of the analysis, I connected all their answers to see if companies with higher degree, understanding and usage of the three concepts have had better performance in the past six years.

The main points of the interviews were developed based on a model of connections between the concepts and were translated into Spanish with the help of a Spanish translator. In this way, the communication with Spanish companies was eased and more accurate since it is easier for the staff in Spain to express themselves in Spanish than in English. Among Slovenian companies, interviews were done in Slovene.

In order to protect the identity of the interviewed companies, full names of the companies and their representatives are not revealed in the thesis. However, general information on the companies in question and their representatives are provided. The Spanish companies interviewed in Madrid will be henceforth referred to by initials M and the Slovenian companies as S. Both initials will be accompanied with the industry name².

5.1.3 Limitations

During my research, I faced several problems contacting Spanish companies. The Spanish market is enormous and filled with a great variety of companies. I sent out fifty-eight requests for participation. However, convincing companies to participate was not a very successful process. Due to the crisis, many of them faced severe problems or were even about to close down their business; therefore they refused to participate in my research. Other reason for not participating was data protection. There were also many companies that did not even reply to my request (approx. 70% of them). However, the ones that did were more than helpful, giving me all the necessary data and putting me in contact with other companies. My assumption was that it would be a real challenge to obtain responses from companies in Spain compared to Slovenia and that there would be a higher degree of Slovenian companies willing to participate. However, while trying to obtain the candidates for the interviews, it turned out that it was the opposite since people in the Spanish companies are much more open and willing to help than in Slovenia, where it was hard to obtain a response, even a negative one.

Furthermore, as mentioned earlier, interviews in the Spanish companies were conducted in Spanish in order to ease the communication. Since my knowledge of Spanish is undisputable, the communication in Spanish has not suffered any misinterpretation or non-understanding.

²For example: M Advertising Company for Spanish Company or S Façades Company for Slovenian Company.

One limitation that was also outlined in other research papers (Wright, 1996) is a subjectivity of interviewees when assessing their own – their companies’ – skills in comparison with their competitors. This happens because many see their company superior to the competition, which also turned out to be the case.

Conducting the interviews was very time-consuming since it took four months in total to find the appropriate companies, convince them to participate, set up a date and actually conduct the interview.

5.2 Background information about companies interviewed

In this subchapter, a short overview of the companies interviewed is presented. Those companies belong to following sectors: Marketing and Advertising, Engineering and Production and Electrical Engineering sector. The companies of engineering and production of pre-fabricated buildings are actually parent company and its subsidiary. When searching for companies on the Spanish market, I found the subsidiary and wanted to compare both companies with similar orientation and strategies in two different markets.

5.2.1 Background of Slovenian companies

5.2.1.1 Advertising Company

The company interviewed belongs to an international group of advertising and marketing agencies, representing one of the largest global advertising companies. Its parent company is one of the largest multinational advertising companies. The Slovenian subsidiary accounts for twenty employees and is one of the top 5 advertising and marketing companies in Slovenia. Their main product/service category is advertising but crisis made them realize they have to expand and be different. Therefore, they started to sell other media of communication and marketing solutions. Now they are one of the few advertising agencies that offer their customers different services “under one roof”. The interview was conducted with the management representative on 28th March, 2013 at the company’s headquarters in Ljubljana and lasted for one hour.

5.2.1.2 Company with electrical engineering and production

With its 165 employees, the Slovenian Company with electrical engineering and production, henceforth referred to as S Electrical Engineering Company, is a company manufacturing electric motors, generators and transformers. It was established in 1958 as an independent company. However, since 1996, S Electrical Engineering Company has been a part of the German Holding Corporation. Under its full ownership, they became the leading European company in the area of explosion-protected electrical devices. Nowadays, company has three main production programs: electric motors, power strips

and products for the mining industry. All their activities and products comply with the ATEX directive 94/9/EC standards. The main focus in the interview was their primary and the most important activity, **electrical motors**. The interview was conducted with the CEO of the Slovenian Company on February 8, 2013, at the company's headquarters and lasted for forty-five minutes.

5.2.1.3 Company of engineering and production of pre-fabricated buildings – parent company

This company represents one of the best-known multinational Slovenian corporations that have operated for over fifty years. As they put it, they are a fast-growing company spreading around the world and are nowadays present in fifty-four countries all across the world. Through all these years and in all these countries, they have been constantly developing and upgrading complete solutions from technical consulting, R&D and design engineering to production and complete assembly along with regular maintenance and service. This area of developing complete solutions covers steel buildings and constructions, **roofs and façades**³, systems for sound and insulation, and containers. With all of its 450 employees following the company's philosophy, they focus on sustainable development, investing into environmentally-friendly technologies and products, developing and maintaining good relationship with their target groups. The interview was conducted with the marketing director of the company on April 11, 2013, in Ljubljana and lasted for one hour.

5.2.2 Background of Spanish companies

5.2.2.1 Advertising Company

This company is one of the leading advertising companies in Spain. With its ninety employees and sixteen years of existence it operates not only in Spain but has expanded to other countries such as the US (New York and Miami), Mexico, Dominican Republic, Columbia, and Argentina. They belong to the English Company that is the largest communication company over the world. They also own some other small Spanish company that focuses only on direct marketing. The interview was conducted with the CEO of the agency on January 3, 2013, at the headquarters in Madrid and lasted fifty minutes.

5.2.2.2 Electrical Engineering Company

Spanish Electrical Engineering Company, henceforth referred to as M Electrical Engineering Company is a family company with 12 employees that has operated since 1989. Their field of work includes engineering, automatism, technical developments,

³Roofs and façades represent one of the most important categories of this company. Therefore this was also our focus at the interview in both countries. Consequently, the company will be henceforth referred to as S Façades Company.

programming, electrical equipment, and installation. The company has also been rewarded with the ISO 9001/14001 certificate. The interviewee was the owner of the company. The interview was conducted on January 9, 2013, at the company's headquarters in Madrid and lasted for thirty-five minutes.

5.2.2.3 Company of engineering and production of pre-fabricated buildings – affiliated company

This company (referred to as M Façades Company) is a subsidiary of one of the Slovenian most successful companies in the area of manufacture of metal structures and its parts and covers Spanish market as well as the Latin American one. The subsidiary employing five people has existed since 2007 and has collaborated with the Spanish best-known and important companies. The main current activity of the M Façades Company is innovation of modular façades, combining all advantages of the façades of the highest quality with the best design. Their new panels represent the absolute innovation in the worldwide market. They currently manage two important brands and in our interview we focused on one of them. The interview was conducted on January 8, 2013, through Skype because of the absence of the representative and lasted for one hour.

6 ANALYSIS OF MARKETING STRATEGY ADAPTATION

This chapter represents an overall analysis of the research. Similarly to the division of the interview structure, the analysis is also divided into three main parts. In this part, the analysis is made from the point of view of each company based on the sector, whereas the comparison between the two countries is analysed in the following chapter.

6.1 Effects and consequences of financial crisis on company's business and marketing

Every company is exposed to both positive and negative influences from the external environment. How the crisis has affected the Slovenian and Spanish markets has been analysed in Chapter 1, but without any doubt, crisis is one example of external disturbance that can have a great impact on the company's business. This part of the interview examines how companies in my sample started to feel the dimensions of the crisis, in what way the crisis has affected them and what measures have been taken in order to respond to the crisis. A special attention was paid to crisis effects as well as their marketing department perceives them and examines how their marketing strategy and marketing budget have changed due to the crisis. This part presents an answer to my first research question:

How did the crisis influence company's business and marketing strategies and how have investments in the area of marketing changed in different companies during the last few years?

The **main objective** of this part was to analyse the effects and changes in the marketing performance and changes in the marketing strategy before and during the crisis.

The financial crisis has had an impact on every company interviewed. As presented also in the Chapter 2, the representatives interviewed all agreed that 2008 and 2009 were crucial years when the crisis affected their companies. Each company started to feel the consequences in slightly different areas and to different extent but they were, in most cases, not different in feeling consequences than other companies in the Slovenian or Spanish markets. Therefore, generally speaking, two main problems appeared which in most cases led to one consequence. The companies started to face delays in payments and customer loss with both consequences forcing them to reduce their prices. However, there were some exceptions in my sample as well. Therefore, I will now focus on analysing the companies' situation during the crisis and their response for both countries based on the sector.

Based on the theoretical background (see Chapter 2), companies should be proactive, using proactive marketing in order to successfully deal with the crisis. My research showed that, according to the three categories of crisis response, the majority of companies interviewed did not waste time in communicating necessary information across the company and took appropriate measures (timely response). This was noticed especially with the S Electrical Engineering Company where they immediately took measures, informing all levels of employees about the situation they were facing. Their response was fast, active and credible, and it was more focused on their employees than its customers. However, the S Electrical Engineering Company was the case of the company that was, according to my opinion, hit the least by the crisis and has most successfully dealt with it. In the following chapters, the effects of the crisis and companies' adaptation is analysed based on the sector.

6.1.1 Advertising sector

Similarly to other companies interviewed the M Advertising Company also first started to notice the effect of crisis in 2008 when their clients started to pay less. Needless to say, this is a company that offers high quality products on the market. This was one of the reasons they did not wish to yield to pressure of customers for lowering the price. Because they wanted to sustain the premium quality at the same price, they have been faced with the loss of some customers that were not prepared to pay the premium price. They decided not to drop the price but to replace the customers that failed to pay with those that were able to pay the price required. They consciously decided they preferred fewer customers that are able to pay the amount charged than to have more customers who underpay them. According to the CEO, this is a key strategy when fighting the crisis.

At the same time, the S Advertising Agency on Slovenian market faced a sharp decline in orders, forcing them to reduce the price which led to sharp drops in earnings. In this case, the company has faced the situation which was caused by interconnections and dependence among sectors, and was already analysed in the second part. The S Advertising Agency is – mainly indirectly – highly connected with the Slovenian economy and market. Because of its main activity (advertising and marketing), it depends highly on other companies which are at the same time its customers and their success. Their experience showed that many companies started to decrease their marketing budget, which has had an enormous negative impact on the agency's business. The companies started to spend less money on new media campaigns and leases, which negatively affected the S Advertising Agency.

6.1.1.1 Adaptation to crisis in advertising sector

Still, both advertising agencies had to adapt their businesses, one to a greater extent than the other. The CEO of the M Advertising Agency outlined that even though they are an advertising agency, they do not invest in advertising for their own company. According to them, they do not have many marketing activities with the exception of the commercial ones. They had to adapt to the situation by taking some other measures. In the M Advertising Agency, they consciously accepted the fact of losing customers and they had to compensate this loss by reducing the number of employees that were not crucial for their premium activities. Double work and high quality of the remaining employees still guarantees the highest quality, which gives them no reason to lower their prices.

However, the situation was slightly different in the S Advertising Agency. Being part of a large multinational corporation, they have to achieve goals forecasted. Because of the economy downturn, they had to undertake some radical measures. Since an average customer has spent less money for their services and the management focused on retaining the level of earnings, they decided to attract more customers. Their new strategy in crisis was therefore to work more to earn as much as before and—in order to accomplish that—they had to gain new customers. Other measures towards the adaptation were also cost rationalization, restructures, new offerings, services and business models. Because of their quick response, they were not forced to make their employees redundant. Even though it is advertising and marketing company, they started to invest more assets in their own marketing only two years ago. Still, their marketing budget amounts only for a small percentage of sales. In this sector, marketing costs are much smaller than in other sectors where companies have to sell their brands aggressively on a daily basis. They have built their brand awareness mostly through noticeable and successful campaigns, and awards they have received for their work and PR. Therefore, their marketing budget has not changed much in the last past years.

6.1.1.2 Marketing strategy in advertising sector

The S Advertising Agency is one of the top five advertising agencies on the Slovenian market. Still, their market research showed that the company is not differentiated enough from the competition and well known enough. They became aware they had to increase awareness with that fact providing a basis for their marketing strategy that is now based on building brand awareness. Because they are a smaller company, they try to increase awareness through different, interesting and recognizable work, different new methods and approaches, offering their clients complete solution along with digital platform, newsletters, and contacts. That way they offer their customers more than they would have expected.

On the Spanish market as well, the M Advertising Agency strives to raise awareness not just about the company itself but also about the quality of their products and services offered through their best-known, successful and unique campaigns, and products. Still, this is their one and only marketing strategy and it has not changed much in the last few years, not even in times of crisis. However, contrary to the S Advertising Agency, the M Advertising Agency does not invest many assets in their own marketing in general, even though they are aware that they should increase these investments. The main reason for low investments is, according to the CEO, the belief that the M Advertising Agency is a very well-known and prestigious company.

6.1.2 Sector of engineering and production of pre-fabricated buildings

In this sector, one company interviewed belongs to another, but still there were some differences in how the crisis has affected them and which measures have been taken, especially due to the influence of the national market and situation on each market.

The company of engineering and production of pre-fabricated buildings, also referred to as the S Façades Company, is strongly connected to the civil engineering industry. When the financial crisis hit the Slovenian market, one of the first sectors affected was the civil engineering since the crisis caused decline in investments, which negatively affected civil engineering market. Many civil engineering companies went bankrupt and because of strong connections between sectors, this also had an impact on the sector of engineering and production of pre-fabricated buildings. Since the Slovenian market could not avoid numerous bankruptcies and declines in investments, consequences of crisis was also noticed by the S Façades Company since their business started to diminish. The marketing director of the S Façades Company admitted that along with some other negative consequences such as decreasing number of projects and pressures for reducing price, the company's image was damaged during the crisis as well.

At the same time, the S Façades Company's subsidiary on the Spanish market experienced other consequence of the crisis and this was non-payment. In 2008, company was forced to delay payments due to the delays or non-payments by their customers. This had a crucial impact on the company's liquidity, which meant that the M Façades Company became unable to pay their costs (to employees and suppliers). Consequently, a domino effect was triggered. The above mentioned liquidity problems that were caused by the crisis forced the M Façades Company to take specific measures listed below, which were also needed in the area of marketing.

6.1.2.1 Adaptation to crisis in sector of engineering and production of pre-fabricated buildings

When negative consequences of the crisis hit the Slovenian parent company, serious measures had to be taken. As a parent company, the Slovenian management team has an influence on subsidiaries in all countries, guiding their budgets, measures and strategies as well. According to the marketing director of the S Façades Company, they did not just reduce their marketing budget by around 30% but also reallocate their resources. They adjusted their strategy based on the market situation in a specific country and, based on that, they redefined their marketing budget. In the countries that were hit by the crisis to a larger extent or in the countries where they have lower selling potential, the parent company decided to reduce marketing expenses, which is also a strategy proposed and described by Ang, Leong and Kotler (2000). Afterwards, they allocated them to the countries with higher potential and less-stiff situation. In those countries, they increased marketing expenses. They also decided to reduce the budget for different trainings and found a perfect solution in organizing trainings together with their partners or suppliers in order to reduce costs.

According to my interviewee from the S Façades Company, the marketing budget was also reduced in Spain. The representative of the M Façades Company admitted that their marketing budget was reduced by up to 50%. In 2012, this percentage rose by up to 75% (from 2008 to 2013). Before the crisis, the marketing department was focused on the promotion strategy on every level of the Spanish market. Their strategy covered press, different competition and presentations at the universities in order to promote their product at the level of graduates. Furthermore, they organized business trips to the Slovenian parent company for their most important architects whom they collaborated with. However, payment delays and other financial problems affected all these activities and they were forced to stop investing in universities, students and different competitions. The company had to not only reduce but even cancel the majority of those activities. Instead, they focused on improving their main product on the Spanish market, premium brand with higher-added value.

6.1.2.2 Marketing strategy in sector of engineering and production of pre-fabricated buildings

The marketing strategies along with their formation and principles of the S Façades Company and M Façades Company are closely connected since one company is a parent company of the other one. The main stream of their marketing strategy is to follow the company's vision.

The marketing director of the S Façades Company delivered little information on their marketing strategy. She only emphasized that when forming a marketing strategy they try to follow a forecasted plan of sales, profit and added value. Their main strategy is to add more products that have higher added value. The representative of the filial explained more about their marketing strategy. Since their strategy has to follow the main strategy of the parent company, they have a basic direction and orientation on where to invest. The final decision is made by the representatives in Spain. Their main marketing strategy is to focus on short-term projects and results. The strategy does not focus on promotions of their most important product in the long run but rather on building a strong and direct relationship with their most important customers and those that assure them a short-term profit. Their marketing strategy is to focus on the most important customers that can ensure payment, building personal relationships, building networks, etc. Before the crisis, they could also afford promotions on the long term, organize different events, communicate with architects, which enabled them to travel to Slovenia and pay for their visit. Due to the crisis, their marketing strategy changed from long-term promotions to short-term strategy of retaining reliable customers. For them, this is the main marketing strategy.

6.1.3 Electrical engineering sector

A slightly different situation occurred in the electrical engineering sector, especially on the Slovenian market that was less affected by the crisis mainly because of work specifics.

The S Electrical Engineering Company specializes in producing products that are meant for investment. The main purpose of electric motors, which are their main product category, is safety and safety always comes first. Their products are not meant for wide consumption but for the extension of production. Safety standards are increasing across all Europe. According to the interviewee, this is the main reason the crisis did not have so strong effect on them. The same happened with other product categories. Nevertheless, the representative of the S Electrical Engineering Company emphasized that even though they did not feel the crisis to the very extent other sectors did, they did face some problems, especially in 2009. The two major problems they were faced with were a sharp decline in number of orders and a loss of customers, especially civil engineers and electrician segment. The representative of the S Electrical Engineering Company assured that the situation had not lasted for more than a few months.

Contrary to the S Electrical Engineering Company, the M Electrical Engineering Company was largely affected by the crisis. They faced similar consequences as other companies in other sectors, such as payment delays and pressure for reducing the price, but to a smaller extent than companies in other sectors analysed. What also stroked them hard was the loss of customers that forced them into taking appropriate measures, especially by focusing on retaining the most important customers.

6.1.3.1 Adaptation to crisis in electrical engineering sector

Even though the consequences of the crisis were not as severe for the S Electrical Engineering Company as they were for the other companies, their reaction was quick. Since they are a fast-growing company, they took advantage and directed their efforts into gaining new markets outside Europe that were less affected by the crisis (Turkey, Dubai and Middle East). Their objective was also to avoid redundancy by optimizing the internal processes. Because they never exceeded their capacities and hired new employees in successful times, they were not forced into redundancies. With the process optimization, they were able to retain their employees, which turned out to be a great advantage.

Before the crisis, the S Electrical Engineering Company was already focused on building long-term relationship with their customers. This strategy has not changed much during the time of the crisis, since the representative emphasized that direct communication with their customers was and still is a key activity to their success and in these times also the key to their survival.

As already mentioned, one of the most negative consequences for the M Electrical Engineering Company was losing their customers. Since its sector is also very distinctive with very specific target markets, they had to take measures in order to continue with business without major disturbances. Therefore, they focused on their best and most important customers, providing them with as quality service as per usual. The owner of the M Electrical Engineering Company was also well aware that without these activities as well as personal relationship with their most important customers, they could not continue with their business as they can now. However, in order to retain them, they were forced to reduce price.

6.1.3.2 Marketing strategy in electrical engineering sector

Even though the two companies are from the same sector, there is a significant difference between them about their point of view of a marketing strategy. Based on the interviews, I assumed that this difference is more due to the company's size than to market specifics.

In the S Electrical Engineering Company, the entire management that consists of two directors and one procurator–marketing director is responsible for marketing strategies.

Their marketing strategy stems from the fact that they, as a company, are still small enough to produce personalized series of products in comparison with their most important competitors that are large companies, such as Siemens, that are normally not able – or is not cost-effective for them – to produce these kinds of products. Therefore, this represents their main marketing strategy and also their advantage.

The marketing strategy adaptation of the S Electrical Engineering Company differs from my analysed pattern and theoretical background. Contrary to other companies interviewed, they increased their marketing in the last years, even though their products are not mass-produced and their target markets are very specific. They have never used mass media as their advertising channel and this has not changed. They rather focused on building direct relationships and brand awareness through all important fairs and meetings with producers of anti-explosion protection, number of which increased during the last years.

The opposite situation occurs on the Spanish market, where the M Electrical Engineering Company is a small family company and does not have any specific marketing strategy, according to the owner. In the same way as the S Electrical Engineering Company, the M Electrical Engineering Company also does not use mass media communication tools, but just focus on building strong relationships with their customers.

6.2 Analysis of the three concepts

Based on the theoretical background, market orientation, marketing innovation and competitive advantage are the three factors that are supposed to have a significant impact on company performance and in some cases even on its survival. Therefore, I decided to first examine them separately and draw a parallel between them in the following subchapter. The **objective** of this part is to present how the representatives of the companies interviewed understand these three concepts in order for further analysis to be more relevant.

6.2.1 Market orientation

Each interviewee had to explain what market orientation means to them along with all consequences it can bring. As described in the first part, market orientation can be measured on different bases: customer orientation, competition orientation and inter-functional coordination. These three components were also the basis for deepening my questions and made it possible to understand better companies' point of view, the whole concept and the degree of market orientation.

Objectives of this part were to see if the companies analysed are market oriented, what the degree of this orientation is and what the perception of the effects that market orientation has on company performance is.

As discussed in the theoretical part, market orientation has many definitions but for this research I adopted the one that describes market orientation as the organizational culture that effectively and efficiently creates the necessary behaviours in order to 1) create a superior value for buyers and 2) continuous superior performance for the business (Narver & Slater, 1990, p. 21). However, I wanted to examine what term “being a market oriented company” means for each interviewee without explaining the theoretical background. As expected, each interviewee has his/her own explanation of the term.

The representative of the S Advertising Agency was convinced that being a market oriented company does not mean for a company to just react on market activities but also to be aware of a market’s future needs and expectations. She was aware that the market is the one that determines pace and directions but outlined that company itself can also influence which directions market should follow. Since the Slovenian market normally follows global trends, agencies in the advertising sector can forecast what the Slovenian market will want in three or four years’ time. According to her, this was one way of being market oriented – to follow the market and adapt your business model when necessary (e.g. when budgets are reduced), but on the other hand also to try to lead the market (customers) towards future trends.

The CEO of the M Advertising Agency believed that a market oriented company had the sensibility and the ability to know what their customers want and how much they are prepared to pay for that. At the same time, he emphasized that company should also be aware of its strengths and advantages in comparison with competitors.

The marketing director of the S Façades Company perceived a market oriented company as the one that have satisfied customers for whom the company represents profitable solution.

The M Façades Company’s representative believed that being a market oriented company means to be able to capture the current situation and time on the market, to focus on the real-time situation we live in the moment. He thought that market oriented companies should be capable of offering something special to the market that would enable them to differentiate from others.

The representative of the S Electrical Engineering Company identified a market oriented company as a company that takes care of a good relationship with their customers in the long run.

The owner of the M Electrical Engineering Company stated that for her being a market oriented company means to be oriented to your customers and to cover all necessities your customers might have.

Each definition differs from one another, but still the majority connects terms market orientation and customer orientation, emphasizing the empathy for customers’ needs and

their satisfaction. The majority is also aware that markets are becoming more and more competitive and it is essential to follow the market and customers' needs in order to offer different, better and more competitive products.

What I also learned was that each and every one of the interviewees was convinced that their company is market oriented, supporting this belief with different facts, especially because they follow their own definition of market orientation. Therefore, the owner of the M Electrical Engineering Company believed that her company is a market oriented company since it is very much oriented to their customers, while the representative of the S Electrical Engineering Company supported that belief with success since, according to her; they would not be as successful as they are if they were not market oriented. The CEO of the M Advertising Agency believed that his company is a market oriented company because he wanted it to be a company that is ahead of the market. Furthermore, interviewees were also convinced that being market oriented can only bring you success and quality long term relationship with customers, especially when this orientation is the correct one.

According to the research and analysis, the perception of term market oriented company differs in each company. However, there exists the same basis which builds up customers in all companies. Still, those definitions do not have any relevant specifics or pattern based on country, therefore the comparison between countries is irrelevant in this part.

6.2.2 Marketing innovation

This part focuses on marketing innovation. Throughout the interview, I asked the interviewees to describe **innovations** in their company in order to see their perception of marketing innovation. Innovations in other three Ps of marketing mix were discussed, even though in the majority of companies examined product innovation predominated. At the end of this part, I wanted to connect a marketing innovation with the performance level of their company and to establish if they know how a marketing innovation could affect the performance of their company. The main objectives of this part were to analyse the companies' point of view on marketing innovation and to see what the changes in a marketing mix were.

When trying to understand what marketing innovation means to the interviewees, I realized that its explanation differs from one interviewee to another and slightly differs with regards to sectors. What is common to the majority of their personal definitions is that the most used synonyms for marketing innovation were new, product and differentiation. Before explaining them what exactly marketing innovations in theory mean, many of the interviewees assumed that this only covers some special technology innovation and the most common answer was: We do not have any innovations. Their first association seemed to be connected with new products, which was, for example, the case with the

representative of the S Advertising Agency. She believed marketing innovations mean to be able to give something to the market that has not been known before. And this surprise, astonishment for her represents an innovation. She believed that an innovation can only be new to the market product, something unexpected that can bring an added value, like laptop or tablet computers were. She thought that adding functionality or changing design was not a real innovation but only a short-term product update. Contrary to her belief, the representative of the S Façades Company considered product updates as an innovation as well since he explained innovations as a process to create or improve a product or to offer something different to the market. All other interviewees expanded the definition of marketing innovation and did not limit it to a product only. For instance, the marketing director of the S Façades Company also perceived innovations as something completely new since she defined marketing innovation as finding effective and new marketing model or new product. The CEO of the M Advertising Agency had the same opinion. He explained that innovation in the advertising sector meant finding new business models and new communication channels. The representative of the S Electrical Engineering Company specified marketing innovation based on the sector and defined innovation as being able to offer different versions of motors and their flexibility of adapting motors to customers' needs.

During the explanation, conversation and specific questions they became aware of the real meaning of marketing innovation.

6.2.3 Competitive advantage

When the conversation turned to capabilities and competitive advantage, I noticed that many interviewees do not distinguish between those two terms. After having asked them about their company's capabilities, the majority of them started talking about their competitive advantage. I noticed this fact because many of them already mentioned competitive advantages in the earlier stage of the interview. Therefore, I had to adapt my questions to lead the conversation into the right direction in order to be able to distinguish between the terms and later on to draw a parallel. After that, some of the interviewees themselves were also able to see the connection and draw the parallel between capabilities and competitive advantages; this was, for instance, the case with the representative of the S Advertising Agency. As their most important capability, she considered understanding their clients. Therefore she believed that capabilities of the company could be seen as capabilities of each of their employees because they represented the company and the reputation. Moreover, the business of the agency depended on them. She believed that when you understand your client, you treat them differently and you also strive for them to succeed with their brand or product. She saw that as a crucial capability not all agencies possess. Their employees were in constant and direct contact with clients and therefore they had to be capable of understanding the client in order to develop one of their competitive advantages which is, according to the representative, empathy. Even though

she perceived empathy as their competitive advantage, this empathy can be common for and used by the majority of service companies because of their constant and direct contact with customers.

A very similar situation was noticed on the Spanish market in this sector since the CEO of the M Advertising Agency also considered his employees (experts as he named them) as the company's most valuable capabilities. These highly competent experts are the ones that create long-lasting and relevant messages. As he put it, these messages were the company's strongest competitive advantage.

The marketing director of the S Façade Company specified the quality of their services, strategies and employees as a basis for their competitive advantages. Their competitive advantages included flexibility, adaptability to customers' needs and strong technical support. The representative of the M Façade Company also believed that their most important capabilities are technical area and highly qualified workers and industrialists who were able to develop and sell high quality, innovative and unique products. All these highly qualified workers and industrialists, a quality material and capability of producing innovative and unique products enabled them to create competitive advantage.

The only interviewee that did not mix capabilities with competitive advantage was the representative of the S Electrical Engineering Company. She specified the knowledge of explosive protection as their most important capability. Their second most important one was size by enabling them flexibility and adaptability. The owner of the M Electrical Engineering Company also believed that their main capacities are technical capabilities, qualification of employees, flexibility and adaptability to customers' needs. These factors provide an important basis for the up-to-date technology as the most important competitive advantages.

As it could be seen from the answers, competitive advantages of companies analysed result not just from capabilities but also from resources, intangible as well as tangible assets. On the one hand and even though intangible assets are, according to some authors, becoming more and more important, interviews showed that a great importance is still put on tangible assets such as unique products and up-to date-technology. On the other hand, some companies are aware of the strength of possessing special knowledge, which is difficult to imitate, as some scholars applied in theory. Overall and generally speaking, all companies interviewed are aware of their own strengths and competitive advantages and are furthermore convinced that their customers also perceive and value those advantages.

6.3 Correlations between the concepts

As analysed in the theoretical part, many studies and observations were made in order to find and analyse different connections between market orientation, marketing innovations and competitive advantage. I analysed the following research question:

How important was market orientation and what was the role of marketing innovations, especially for marketing mix in this period?

6.3.1 The importance of market orientation

The research showed that market orientation is perceived to be very important for companies since all interviewees mostly saw advantages of being market oriented. They were convinced that market orientation could bring a success, ability of better and quicker response to customers' needs and loyal customers. Nevertheless, there was one interviewee (the representative of the S Advertising Agency) that was aware that not only a strict market orientation could bring success. She described a case of an American multinational company that succeeded with a product that was not made according to customers' needs and wants. As discussed in the theoretical part, market orientation has three components: customer orientation, competitor orientation and inter-functional coordination. My study showed that for all representatives, customer orientation was the most important since they all focused their energy toward the customers to keep them satisfied and to adapt their product/services to their needs. It showed that they all try hard to develop and maintain long-term relationship with them through yearly formal surveys and questionnaires, direct and constant communication that is important especially in the service sector and different shows, fairs and events that are held for customers. Even though all representatives stated they did adapt to their customers' needs, some of them were still aware that this did not always mean that one should adapt 100% to the customer but to be able to recommend them what you think is the best for them based on the experience. This adaptation to the customers' needs and wants should therefore be in line with company's philosophy and ability as well as with market conditions.

Great importance is also put on competitor orientation and inter-functional coordination. Employees are important especially in service sectors since they represent a company and create final product and superior value. Furthermore, they are in direct contact with customer. In some companies analysed – in service companies as well as manufacturing companies - employees along with knowledge they possess and their expertise also represent their main capability and competitive advantage. Strong connections between employees, teamwork, constant sharing of information is visible especially in the service sector and smaller companies, in this case in the advertising sector and especially in the case of Slovenia. The S Advertising Agency is smaller company; therefore they shared information about all projects so that everyone knew about their work, whereas in the M Advertising Agency they only shared information with employees at a higher level position. A stronger connection was also seen with the M Electrical Engineering Company since it is a family company with ten employees. Overall, the management of all

companies interviewed was well aware of the great importance the employees had and therefore they strived to keep them motivated and satisfied.

However, competitors are not as important as the other two components in my sample. According to the results, all companies are aware of their competition – especially in the advertising sector where it is not hard to follow the competitors since advertising products are present in daily life – but their response differs and is not connected with size, sector or country. It depends only on a company itself, their position and strategies. This was the case with the M Advertising Agency where they are aware of being one of the best advertising companies on the Spanish market. Therefore, they do not focus that much on the strategies of competitors since they know they are not on the same level. Meanwhile, the S Advertising Agency pays close attention to all actions of their competitors as to not stay too far behind since the Slovenian advertising market is very generic and all agencies offer everything. In both Façades Companies, they are aware of the competitors' products, pricing strategy and innovations which they constantly follow and adapt their strategy as long as it is in line with their philosophy and mission. This is true especially in the case of the S Façades Company while the M Façades Company does not follow their actions as much as they should according to the representative. The market of anti-explosion products is small and therefore the S Electrical Engineering Company is not just well aware of their competitors but also collaborates with them. In the M Electrical Engineering Company, they are aware of their competitors on the Spanish market, but they still try to focus more on their own strategies and business rather than to follow the strategies of their competitors and adapt to them.

6.3.2 The role of marketing innovations

Marketing innovations bring changes to marketing mix and are crucial for the company's performance especially during turbulent times. All representatives interviewed perceived product or service innovation as the most important one since it was perceived and noticed more from the customers' side. As discussed in the theoretical part, product innovation can be classified into six main types and the research showed that the type of product innovation differs based on the sector. In the electrical engineering sector, product innovation covers mainly improvements and revisions to the existing products. With accumulating knowledge, up-to-date technology and ever changing customers' needs, it is of utmost importance for them to continuously improve their technical solutions and products. In this way, they offer the customers what they need, along with some new-to-the-world products. These are of extreme importance, especially in the last six years. In the advertising sector, the crisis made them realize they had to bring innovations to the market, which was the case especially at the M Advertising Agency since the CEO was aware that his company is not very innovative. He furthermore outlined that it was not just his company but the whole agency sector on the Spanish market. Meanwhile, the S Advertising Agency started offering service bundles that can be classified as improvements and revisions to existing products, which are one type of product innovation. In the case of

both Façades Companies, their innovations can be classified as new product lines since they added new products to different price levels in order to retain and gain more customers.

There were changes in pricing policies as well. The most common measure that has been taken in the last six years was price reduction, in some cases to a greater and in one case to a smaller extent. This price reduction cannot be seen as a real innovation in a pricing policy since those companies (with the exception of the M Advertising Agency and premium product of the Façades Company) were forced to reduce the price in order to retain their customers in the times of the crisis. There were some innovations in the pricing policy in two companies analysed but those innovations happened before the crisis and the focus of this research was only on the period of crisis. No special innovation happened in the area of placement and distribution in all analysed companies. They all emphasized they strived to enter new markets in different ways during the crisis but no distinct innovation was specified. What was interesting to establish was that both advertising agencies do not invest much into their own advertising and promotions, and therefore they did not have any specific innovations in that area. Nevertheless, both representatives, along with others, emphasized that their *promotion* is now based more on direct communication with customers. Since in most cases marketing budget was reduced, they all redirected their focus of promotion to direct communication, events, fairs, which bring better success. The crisis made the majority of the companies interviewed to reduce all printed documentation and marketing. Therefore, it can be claimed that no special innovations were made in the promotion area during the crisis, but all measures were taken as a result of budget reduction.

Different types of marketing innovations were taken in every company interviewed. Marketing innovations, especially product innovations, were and still are important for all interviewed companies, especially in times of the crisis.

6.3.3 Market orientation - marketing innovation - competitive advantage correlation

The third research question covering the correlation between the three concepts was:

What is the correlation between market orientation and marketing innovation and what is their role in creating and obtaining competitive advantage?

Within this chapter, I try to analyse and research the influence of market orientation and marketing innovation on development of capabilities that form a basis for competitive advantage.

Despite numerous studies, the relationship between market orientation and marketing innovation has not been discovered in its entirety. As already analysed, all companies interviewed are market oriented to some extent and perceive themselves as being market oriented companies. More and more companies are becoming aware that market is the one

that gives directions and one should not just follow but also predict where the market is going.

According to the research, I classified the S Advertising Agency as a market oriented company since their strategy is very clear and covers customers and competitors not only on domestic markets but also on foreign markets. The company is aware that those are the markets that direct the Slovenian market. Their innovations go towards future trends. Their most important marketing innovation during the crisis was the expansion of their product, advertising. Offers were no longer based only on advertising but on whole communication. Therefore it can be established that in this case market orientation forms an important basis for their marketing innovations.

The CEO of the M Advertising Agency perceived the company as market oriented especially because the company put a lot of emphasis on their most important customers but put less effort in innovations. The products and services they provide are of high quality and well perceived by customers but, according to the CEO, do not involve any special innovation. Their only innovation strategy consists of not focusing only on advertising but stepping outside the box and offering different things to different markets. He was aware of the pressure and admitted that they should have been more innovative.

I classified the S Façades Company as strongly market oriented, taking opportunities and adapting to the market. When the company noticed that crisis would affect customers and their payment abilities, they even started to develop new products to cover all pricing levels. What is more, some products are made together with the client. Furthermore, the crisis helped them become aware that it is not important only to develop new innovations at all times, but to be aware for whom they develop these products. Therefore, it can be claimed that market orientation in this case is also an important part of their marketing innovation strategy.

According to the findings, I found the M Façades Company less market oriented than the S Façades Company. They focus on customer but not so much on other factors. Their main strategy and orientation originates from the filial. Considering innovations, the M Façades Company does not have their own product innovations since their research and development is based in the parent company. Where the company differs from the filial is in the field of innovations into other 3 P's of marketing mix since in this case they form the strategies. In this case, it would be difficult and incorrect to make a strong conclusion about the correlation.

I also perceive the S Electrical Engineering Company as strongly market oriented since they adapt to their customers' needs in any way their capabilities allow them, collaborating also with competitors in order to satisfy their customers. They are also a highly innovative company. Over the last six years (from the beginning of the crisis), the S Electrical Engineering Company has introduced six new products in the area of electric motors along

with fifty updates and improvements on average each year. In this case, the sector itself also demands current innovations and improvements for a company not to stay behind.

However, I recognize the M Electrical Engineering Company as less market oriented, even though their main direction towards survival of the crisis is represented by innovations. They have to have innovations in order to maintain their position on the market. In their case, it cannot be claimed with full certainty that the most important basis for those innovations is market orientation.

In line with my research, I could agree that market orientation could provide an important basis for innovation since realizing market conditions and needs can encourage companies to innovate in different stages and areas, and to deliver to customers the products and services they expect. Nevertheless, there are some cases where not being market oriented and not following customers' wants but trusting one's own intuition and experiences can lead to a successful innovation. Still, no transparent and clear parallel can be drawn between the two concepts.

According to many researchers, the quality, flexibility, speed and efficiency of innovations ensure that the assets of competitive advantage are hard to imitate. When capabilities are not imitable and perceived as unique or distinct, market orientation can lead to competitive advantage and continuous innovation to sustainable competitive advantage (Kumar et al., 2011; Lawson & Samson, 2001; Naidoo, 2010).

The research showed that the majority of representatives perceived their capabilities and competitive advantages as distinctive since they outlined that "these are capabilities not all agencies possess" or that "they were able to sustain their capabilities and develop specific competitive advantage because they were big but still small enough in comparison with their competitors".

The S Advertising Agency is an excellent case since it most surely developed one of their most important advantages from innovation. The "everything under one roof principle" is their most important advantage since not many agencies offer more services than just advertising under one roof. This competitive advantage originates from their most important innovation they have had in the last few years of the crisis—expansion of their product. What represents an important challenge for them is to improve the clients' perception since many of them still see them only as an advertising agency and are not aware of all the services they offer. The representative of the S Advertising Agency outlined that clients differ one from another and some clients do not equate to company's philosophy and are therefore not able to function and work together. According to market orientation philosophy, they should adapt their measures and hire people suitable for those companies. However, if these people do not equate to the company's philosophy, the company will not hire them, although this is exactly what should have been done, at least

according to the market orientation philosophy. In this case, market orientation does not signify any advantage.

The CEO of the M Advertising Agency believed that the basis for development and maintenance of competitive advantages is to believe in what one does. Combining that with passion and hard work, one can create a successful company. From his answers, no clear connections could be seen, especially taking into account that the company do not put as much emphasis in innovations as it should have.

According to the marketing director, the M Façade Company has two competitive advantages; flexibility and strong technical support. The basis for these two competitive advantages is quality.

The S Façade Company is directed towards innovations. Their innovations are used in order to maintain their competitive advantages. Therefore, they have strong development and project department from which they obtain technical support. Because a costumer is more and more likely to make rational decisions rather than impulsive ones, the S Façade Company became aware of the changes in customers' mentality and changed their offer: more functionality for the same price, taking into account that their quality was always on the top. In the case of the M Façade Company, a clear parallel can also be drawn between the concepts. Their market orientation can be seen through personalization of façades and adaptation to customers' needs. Since this is something their competitors are not able to do, it can be specified as their distinctive capability. This fact, along with experts, quality material and capability of producing innovative products, enabled them to create competitive advantage. Both, the M Façade Company as well as its parent company, the S Façade Company, are perfect cases when improving market orientation can encourage an innovation that leads to sustainable competitive advantages.

The representative of the S Electrical Engineering Company was also convinced that without all the knowledge they possess there would not have been any innovations. Selling anti-explosive products brings along a responsibility since in a case of an explosion, damage would be fatal. With all knowledge they possess and have broadened during the last fifty-five years of their existence, they are able to produce high quality and safe products. The key to their competitive advantage lies in high quality products, originated from their most important capability, since not only knowledge is important in their case of innovations. The representative furthermore stated that all capabilities, along with quality that represents their competitive advantage, are crucial for creating any innovation.

The M Electrical Engineering Company has two main competitive advantages– creation and technical capabilities – that are in some way connected with innovation. Nevertheless, the owner stated at the same time that the structure of their business had the strongest effect on development of these competitive advantages that allows them to be in contact

with the latest technology. In this case, it cannot be concluded that market orientation has any specific influence on company's competitive advantage since this company is also less market oriented than other companies in the sample.

In the majority of the analysed companies, a clear connection between marketing innovations and competitive advantages can be seen while the connection between market orientation and competitive advantages is less clear. The strongest connection between the two can be seen in the cases of the Façade Companies and S Advertising Agency, even though I perceive the M Façade Company a little bit less market oriented than the S Façade Company and the S Advertising Agency.

6.4 Performance analysis of selected companies

There are numerous factors that have direct or indirect impact on company performance. In the literature (Narver & Slater, 1990) the most common measures used for measuring company performance are profitability (net profit, return on assets) and growth (growth in sales, growth in market share). Therefore, I used profit, market share, and sales growth as three main measures of company performance. In this part, the analysis of company performance is presented along with connection between all four variables.

6.4.1 Analysis of companies' performance during the crisis

All companies interviewed have faced difficult situations over the last few years, which left a significant impact on their performance. In most cases, crises have had a strong and mostly negative impact on company performance, in many cases even questioning its survival. In this subchapter, the performance analysis during the crisis of each company interviewed is presented based on profit, market share and sales and all changes are based in the period from 2007-2013.

The S Advertising Agency is a part of the American multinational company and therefore their profit calculation differs a bit since they have specific American standards. The representative of the company admitted that the absolute profit dropped drastically over the last few years. Nevertheless, she is convinced that this difference is not just a consequence of crisis but there are also some other factors that had an influence on the drop. Therefore, it is hard to make a strong and relative conclusion that the crisis was the one and only factor because of which the company's profits dropped. Their market share has stayed more or less the same in the last few years. They measure their market share on two markets: media market, where their market share improved, and creative part of the market, where they obtained their current position. Along with the increase of the media market share, their sales also increased. From this point of view, the crisis has not had a strong effect. However, the representative admitted that their network obligated them to increase these numbers whether by increasing revenue or reducing expenses. Although

these numbers grow each year, she admitted that they were double-digit in the past and single-digit nowadays, when the growth is less than 10%.

The M Advertising Agency also faced a sharp decline in profits in the last six years, from 30% to 8%. This decline was also a consequence of customer loss since the company was not prepared to reduce the price. The drop was constant each year. The CEO of M Advertising Agency also admitted that they did not measure their market share since it is, according to him, difficult to evaluate the market share on the advertising market. The Spanish advertising market has diminished significantly in general but its position on the market has not changed a lot. The agency has also faced a drop in sales since sales have fallen by approximately 40% in the last six years. Still, the CEO is convinced that as soon as the situation improves, the company will return to the same path.

The marketing director of the S Façade Company did not deliver much information on company's profitability and sales. However, the most drastic drop in sales and profitability occurred in 2010 since before this year only slight drops were noticed. The company measures its market share, especially in foreign markets. Their market share fell by around 2% in the analysed period, but it should be taken into account that market itself diminished by around 20-30% in this period. Therefore, this fall of their market share represents a share on a shrunk market.

On the Spanish market, the situation was slightly different. The turning point for the M Façade Company to start feeling the effects of the crisis was 2008. From that year on, sales and profits have diminished sharply every year on the Spanish market. The representative of the M Façade Company spoke about actual number and admitted that sales fell from 7 million in 2008 to 6.5 million in 2009, 4 million in 2010, 2.5 million in 2011 and 2012.

The opposite situation arose in the S Electrical Engineering Company. At the beginning of the interview, the representative admitted that the company was hit less by the crisis than other companies. This can also be seen from their performance. Over the last six years, their profit increased for approximately 60%. The representative also admitted that it was hard to estimate the market share on the European market especially because they cannot compare themselves with leading electrical engineering companies, despite the fact that they are a leading company on the Slovenian market. Nevertheless, studies conducted have showed that the market share in the area of electric motors was approximately 5%. The owner of the M Electrical Engineering Company admitted that profits have declined in the last five or six years, but the company has more or less maintained their level of sales. She also admitted that the company was not aware of its market share and therefore she did not know how it changed.

6.4.2 Influence of market orientation, marketing innovation and competitive advantage on company performance

Issues about the connection and influence of those three main concepts on company performance have been widely discussed in many academic papers and researches (Atuahene-Gima, 1996; Han et al., 1998; Kumar et al., 2011; Naidoo, 2010; Pinho & Rodrigues, 2012; Rahab & Suliyanto, 2011). In my research, I focused on the following two questions:

What kind of influence does market orientation have on company performance?

What is the connection between marketing innovation, competitive advantage and company performance?

According to the theory, companies that have higher level of market orientation perform better (Kumar et al., 2011).

The connection between profitability, sales and market share on one side and marketing innovations and market orientation on the other side differs and depends especially on each individual sector. For instance, in the advertising sector, employees have crucial role. According to the representative of the S Advertising Agency, marketing innovations and market orientation have some influence on company's business, making it better and more successful. However, these direct relationships between employees and clients have been crucial since 1980 and have remained a crucial step towards success. The representative believed that marketing innovations and market orientation definitely had a positive impact on company performance.

The CEO of the M Advertising Agency stated that it was hard to know the real connection between profitability, sales and market share on one side and marketing innovations and market orientation on the other side. For him, it is obvious that diminishing profits, decrease of margin and businesses are connected with diminishing market. He believed that market orientation strategy helped them to maintain the perception of high level of prestige of their product. He also admitted that some customers could perceive them as less flexible because they did not reduce the price much. Because of that they lost some percentage of the market but that was the consequence they were willing to accept since they do not adjust prices the way market wants them to. Furthermore, he was sure that the only solution for gaining and maintaining competitive advantage, and remaining profitable was to always look for new markets and innovate on current markets. According to his opinion, there are three main steps towards company's survival during the crisis: 1. Maintain the quality and price, 2. Expand on new markets and 3. Innovate.

The S Façade Company is still struggling for survival. They are still in a phase of survival and aware of the fact that a similar situation will last for few more years. Therefore, the marketing director could not specify what was crucial at survival of her company. Nevertheless, after a short discussion she agreed that, in general, marketing innovations are not just important but crucial for a company's survival, but only if a term innovation refers to the whole package not just a new product. Furthermore, she admitted that the S Façades Company was a smaller company in comparison with its competitors and can therefore not be competitive with regards to the prices. Because of that, they focused more on personalized offers, taking into consideration customers' specific needs. In this case, their market orientation can be seen as an important connection not just to the (product) innovations but also to the company performance.

Since the M Façade Company depends on the survival of the parent company, it is also in the phase of survival. As the key for a survival of the M Façade Company, the representative saw cost reduction, product differentiation and focusing on most important customers that represent best payers. Therefore, strong market orientation, along with new and unique innovations, could in this case be an important measure in order to survive the crisis.

In the S Electrical Engineering Company, quality, knowledge and adaptability are perceived as the key factors that enable innovations. It is these innovations that keep the company in business. The representative admitted that without new products, updates and other innovations, company would have to close down in two or three years' time. She was aware that, as a small Slovenian company, it is hard to stay competitive; therefore she encourages her employees to participate in trainings and always try to broaden their knowledge to sustain their competitive advantage and to continuously innovate. She was convinced that without product innovations—new products and improvements—her company would not have grown, which would lead to stagnation. In the electrical engineering sector, this would mean that in two years' time a company would not exist anymore. She was convinced that innovations are the key to the company's survival, especially in current times of the crisis. In the last few years, the company has seen 15% growth rate and the representative was certain that if they had not adapted their products to the customers' needs, they would not have experienced such growth. However, despite all, she admitted again that it was hard to evaluate how many these innovations by themselves contributed to that growth since the products are normally sold in bundles.

The owner of the M Electrical Engineering Company also believed that being a market oriented company had an impact on a company's survival during the crisis. As a market oriented company, it offers services to their customers in a way they stay satisfied with the company. According to the owner, satisfied customers will ask for more service and this is what keeps business alive. Because of the sector's specifics, especially product innovations are important for the company. The owner believed that without innovations they would

not have had any business. Therefore, she saw innovations as something necessary for the company's survival, not only in times of the crisis but also in general, although she did not specify any connection between market orientation and company's survival.

In my sample, all the companies deal with the crisis the best they can. Some of them are more successful, others little less. However, it should be said that when I state that a specific company is successful during the crisis, this does not imply high profits, numerous products and increasing number of customer. It just means that this company was and still is coping with different problems, but it faces the crisis in a successful and better way in comparison with other companies in the sample, especially because it is difficult to discuss superior company performance in the current situation. The research showed that the companies classified as highly market oriented and innovative, with capabilities and competitive advantages that originate in market orientation and innovation, were successfully dealing with the crisis. Nevertheless, the examples of two companies (M Advertising Agency and M Electrical Engineering Company) showed that companies can successfully deal with crisis just by either being market oriented or by delivering innovations.

7 OVERALL COMPARISON BETWEEN THE COUNTRIES

The main objective of this chapter is to compare relationships in the Slovenian and Spanish companies, analysed regarding sectors and to try to establish if a market itself has had any specific influence on the company's performance in the past six years.

7.1 Advertising sector

The main product of both companies studied is advertising but still, their strategies and point of view differs significantly. I believe that these differences come mainly from their current market position, their goals and own perception about themselves. The M Advertising Agency is ranked among top three advertising companies on the Spanish market, while the S Advertising Agency still struggles to reach this position since one of their objectives is to become one of the top three advertising agencies on the Slovenian market (currently, they are on the fifth place). In my opinion, this is the main reason for all differences that can be found between these two companies. Maybe because of its goal of becoming one of the top three advertising agencies and being part of the international chain, the S Advertising Agency is more market oriented, trying to offer more to the customers than the M Advertising Agency that is aware of the reputation it enjoys and puts therefore less effort into any marketing innovation. Still, both agencies are well aware of the great importance of their clients as well as employees since in their case of the service company, employees represent a great part of a company itself. One of the greatest differences between the two agencies is also the perception about the future they have. The representative of the S Advertising Agency was convinced that the situation in the market

will continue and that business and customers will have to adapt to the new lifestyle. Therefore, the company's strategy is also directed towards these beliefs, trying to follow the new trends, especially with innovation and flexibility. Over the last three years, the S Advertising Agency started offering their clients services that were already present on foreign markets and have eventually reached the Slovenian market as well. So they managed to forecast what the market would want in the future and focused on that. On the other hand, in the M Advertising Agency, they believed that the situation on the market will return to its old path in a few years' time. Therefore, they are focusing on short term nowadays in order to return to the same path and position they had before the crisis. For that reason, they are less flexible, considering especially the price, in order to retain their prestigious reputation also when the crisis is over. Still, the CEO believed that his company was a market oriented company because he wanted his company to be a company that is ahead of the market. However, based on the research, it can be claimed that the S Advertising Agency is more market oriented.

The findings showed that crisis has had a different effect on both agencies. The M Advertising Agency has always been a successful and well-known agency on the Spanish market and this has not changed much during the crisis, even though service companies were, because of interdependence among sectors, affected to a large extent on the Spanish market as it has been analysed in the first chapter. Its position on the market is strong for now and it does not have to struggle to keep it that way. Meanwhile, the S Advertising Agency struggles to improve the perception and awareness about the agency especially during the crisis and up until now they have been very successful.

7.2 Sector of engineering and production of pre-fabricated buildings

Since the S Façades Company is a parent company, it has an influence on subsidiaries in all countries. Because 70% of their sales represent export, the S Façades Company focuses on the entire market, not just on the Slovenian one. Still, the domestic market represents one of the most important markets for the company since it covers 30-40% sales. The sector of engineering and production of pre-fabricated buildings is a very specific sector. In this sector, investments into buildings, material, facades are expensive and made on long term. These investments are not made regularly on monthly or yearly basis but on a ten-year-basis by one customer. Therefore, the company needs to gain new customers in order to keep business running. The financial crisis caused liquidity problems since both the Slovenian and Spanish markets were and still are facing a severe banking crisis, the company focuses especially on profitable customers who can guarantee payment. The strategy of both, the S Façades Company and the M Façades Company, is to focus on short-term results in order to repay investments in the shortest time possible. The innovations made by the S Façades Company were crucial on both markets – the Slovenian and Spanish one. The representative of the S Façades Company defined two main products that are the most important on the Spanish market in the sector of façades. With these

products they could target different segments of customers. On the Spanish market, these innovations increased profit by 8–9%. In spite of a decline in sales in general, sales of these two products increased by 9%. The representative of the M Façades Company admitted that it would have been hard to survive on the Spanish market without such innovation or its improvement.

7.3 Electrical engineering sector

The electrical engineering sector is a very specific sector since innovations are the ones that keep them alive, not just in times of crisis but also in general. Both companies are highly innovative, constantly developing and upgrading their products. The differences between the two companies are the size and orientation and not so much the geographic market itself. These two companies did not feel crisis to the extent other sectors did. Still, negative consequences were present and certain measures needed to be taken. In spite of high level of innovativeness in both companies, each company has its own marketing strategy, especially in times of the crisis. The main marketing communication tool in the S Electrical Engineering Company has been and still is also during the crisis the attendance on fairs in different cities across the Europe. Such fairs help them stay in contact with their customers and suppliers, to introduce the products and explain their benefits, to follow the trends and to search for new opportunities. Meanwhile, the M Electrical Engineering Company does not have many promotions; their only marketing strategy is a direct and long-term relationship with their loyal customers. Everything else is not their focus anymore. Therefore, the company has not entered any new market in the last six years neither is it planning to do so. The opposite is happening on the Slovenian market, where the S Electrical Engineering Company is always in a search for new customers. For it, the European market is becoming too small, also with regards to the circumstances. Especially in the last few years of the crisis, the company started to expand on other markets such as the US, Korea and Turkey. I also perceive the S Electrical Engineering Company as more market -oriented since it goes beyond customer orientation only, connecting it also with company's capabilities and performance. The representative of the S Electrical Engineering Company believed that if they had not adapted to their customers with their knowledge, they would not have been successful.

8 MODEL BASED COMPARISON WITH THEORETICAL BACKGROUND

This last chapter is based on the comparison between primary and secondary data. It is based on a model that was designed throughout the secondary data analysis according to many researches and studies of many scholars. The objective of this part is to:

Compare my own findings with theoretical background in order to establish similarities and differences.

Some authors claim that within market orientation, especially customer and competitor orientation (in some cases only customer orientation) have a significant impact on the company performance (Pinho & Rodrigues, 2012). Indeed, my research showed that some of the companies interviewed only focus on their customers and not on their competitors as well. Furthermore, market orientation could have either a direct or indirect impact on superior company performance. Nevertheless, due to the crisis situation we have been facing in the last few years, it is difficult to talk about superior company performance since the majority of companies worldwide are still struggling for survival. Therefore, I prefer to use only the terms company performance or survival.

The theory which was valid at the time before the crisis started implies market orientation is supposed to have direct impact on company performance and a short-term positive effect on the increase of market share, sales, return on assets and customer satisfaction. As short term, one year period is discussed, if not specified other way.

The perception about short-term and long-term orientation and its influence differs among the companies interviewed, but their focus changed due to the crisis. Before the crisis their focus was put on long-term strategies. Now they adapted it, based on current positions. Nowadays, more companies also focus on short term since short term has a better guarantee for survival or better (also short term) performance. In the S Advertising Agency, all activities are largely based on a long term since the company believes that its market orientation will have an impact on long term and this is also the objective of their strategy. Along with that, they have short-term objectives that help them achieve their long-term goals. In the M Advertising Agency, they also combine long-term and short-term focus. The CEO admitted that crisis prevented them from focusing on long term since they had to solve problems and do business from month to month. They search for information that would help them survive in the next three months. These three months represent a short-term focus for them. On the other hand, they are also focusing on long term (four years and more) and on their position and business when the effects of crisis start to diminish. They know they also have to follow their philosophy of high quality and high price in these times of the crisis despite different pressures on the market in order to keep that perception for better times ahead. The same strategy of combining short and long term focus is with the S Façades Company. In order to survive the crisis, they have to focus on short term in order to sell and earn profit. However, when working with investors, they are focused on long term because these decisions take time to design and build a building. The M Façades Company faces a period of survival and for them a short term is fundamental in these times. Therefore they have focused largely on short-term strategies during these last few years, especially on direct investment into profitable customers. A long-term focus cannot guarantee them revenues and sales as it did before. However, a short-term focus can. Long-term success is much more risky than before, since receiving payment is more insecure than before. Meanwhile, the Electrical Engineering companies are focused more on long term. Only on long term can they establish a strong relationship

with their main customers who stayed with them also during the crisis, which is the key to their higher level of performance.

In the majority of the companies interviewed, marketing innovations, especially product innovations, are indeed an important factor for the survival of the company not only during the crisis but in general as well. If innovations are not specified as crucial during company's recovery, then they have at least a positive impact on companies' performance and growth.

As analysed in the previous chapter, a clear influence on competitive advantages in the majority of cases analysed was only seen by marketing innovations while the connection between market orientation and competitive advantages was less clear. Nevertheless, external factors appeared in the last few years that had an impact on capabilities and competitive advantages in some companies. Still, that impact was noticed only with three companies in my sample (M Advertising Agency, M Façades Company and S Advertising Agency). Every situation that may appear on the market can have an influence on competitive advantages, whether the influence is positive or negative. In the M Advertising Agency, its experts represent their special capabilities. However, due to the crisis they have lost many experts because they were unable to pay them the money they were worth. A negative impact was also noticed in the case of the M Façades Company's competitive advantages, making their whole business (investigation, development, and production) and growth to decelerate. The opposite situation occurred in the S Advertising Agency. The representative admitted that the agency did not have these competitive advantages until 2011; therefore their competitive advantages have not been damaged during the crisis. Furthermore, it was the crisis that forced them to start developing them. She believed that the company would not exist anymore without those newly developed capabilities and advantages and with the same work process that was common in 2008-2009.

Porter developed three strategies that are the basis for creating competitive advantage: cost leadership, differentiation and focus. According to the theory, companies normally adapt cost leadership strategy. However, my research showed that companies are more likely to adapt differentiation strategy or focus strategy, in most cases the combination of both. For advertising agencies, the focus strategy is the most common, still they strive towards differentiation. The representative of the S Advertising Agency was aware that this was difficult since it was a generic product, while the CEO of the M Advertising Agency believed in their differentiation as well. He explained focus as their striving towards creation of good, durable and relative ideas. They do not want to create funny advertisements that are popular one day and disappear the next day, which often happens in the world of music. He believed in a good product with high quality and in focusing on creating that kind of message, even though it may not reach as many people as would some other product which would be popular at the time. There was only one case in which cost leadership strategy was relevant, but in combination with other strategies. The

representative of the S Electrical Engineering Company thought that the combination of all Porter's strategies would best describe theirs. She explained that they were a very specialized company with little competition, focusing on a specific market. Furthermore, they tried to optimize their production in order to be profitable. In other three analysed cases, a differentiation strategy was chosen without hesitation because their product is very definite and specific.

CONCLUSION

Every economic crisis can have a huge impact on the majority of industries, affecting almost every company (Grewal & Tansuhaj, 2001) since companies are closely connected to the market, either to a greater or lesser extent. As it has been confirmed by many authors, every crisis has a significant impact on company's business. This impact can be direct or indirect, positive or negative, strong or weak. Therefore, sooner or later, all companies started facing declines in orders, non-payment or payment delays, loss of customers and pressure for reducing their prices. As a response to that, the majority of companies are forced to change and adapt their strategies, also marketing strategy. In my thesis, I focused on the Slovenian and Spanish markets; analyzing the effects that crisis has had on them. Both countries were forced to face severe changes in the industries that had impact on every company analysed. Both Spain and Slovenia still face an economic downturn and struggle to survive, undertaking severe measures. The thesis is based on the analysis of the effects of crisis on company performance, especially on their marketing. There were three factors that are supposed to have an important role not just in the superior company performance but also its survival. These three factors are: market orientation, marketing innovation and competitive advantage, which were also analysed in a great detail in the theoretical part. Even though the connection between market orientation and marketing innovation has not been fully explained in previous researches, many authors believe that there is a significant connection between the factors that can have important influence on company performance, whether this impact is direct or indirect. According to many studies, there is a direct and positive impact of marketing innovation on superior company performance or even its survival. Indirectly influencing superior company performance, both factors are supposed to have a significant influence on developing capabilities that are the basis for developing competitive advantage. Nevertheless, only unique and inimitable capabilities can create long-term competitive advantage that can have a significant positive impact on company's growth and survival. All these correlations were later the red line of the analysis when conducting the research.

Six companies were researched and analysed in detail. Among these six companies, three of them operate on the Slovenian market and three of them on the Spanish market. Primary data was obtained through in-depth interviews whether with CEOs, marketing directors or owners. According to European Commission, the companies that are affected the most by the credit crunch are SMEs (Mórec & Raškovič, 2011). The ones that are hit the most by

the crisis are those having middling market share. Therefore, my focus was SMEs that have operated on those markets for at least a decade. My research was based on the analysis of secondary data, mainly on the model that was formed during the analysis of the literature. Based on that model, a parallel was drawn between the theoretical background and my own findings in order to establish similarities and differences.

Changes into marketing mix, known as marketing innovations, were proved to be important for company performance not only in general, but also and especially during turbulent times. A crucial role in all the cases analysed was attributed to a product or service innovation. This type of innovation is perceived as the most important one while changes in pricing policy cannot be seen as part of real innovations for one reason – price drop was only an essential measure companies had to take in order to keep the business going. There are two price strategies that could be adopted during the crisis – maintaining the quality and lowering the price or increasing the quality and maintaining the price (Köksal & Özgül, 2007). Still, price reduction was the most common measure that has been made in the last six years. However, this cannot be seen as a part of innovation but more as a necessary measure in order to stay competitive. In my research, marketing innovations, especially product innovations, turned out to be a significant factor at a company's survival not only during the crisis but in general as well. Considering market orientation – marketing innovation correlation, the research showed that in some cases market orientation is an important basis for marketing innovations. Being able to know and understand customers' needs and market conditions can help companies to innovate and deliver products and services that market expects. However, as it has been implied in theory and proven in my research, no transparent and clear connection could be made between the market orientation and marketing innovation. Furthermore, a connection between marketing innovations and competitive advantages was stronger than the connection between market orientation and competitive advantages which was also less clear. The research analysis showed that the majority of companies that are more market oriented and innovative and have competitive advantages that originate from these two factors were, and still are, successfully dealing with the crisis. Still, the analysis showed companies can successfully deal with the crisis just by being market oriented, without any special marketing innovations.

The main objective of the comparing analysis was also to establish if the perceptions of the selected concepts differ in both countries and which companies – either the Slovenian or the Spanish ones – were more successful in facing the crisis. The research showed that the perceptions and performance among the companies differ more based on the sector than on the geographical market. Still, it can be concluded that the interviewed Slovenian companies are more market oriented, developing more innovations and successfully facing the crisis. Still, no conclusion could be made that because of higher degree of these concepts, these companies perform better. They all have their own strategies that help them survive the crisis. Even though, I would say that the Slovenian companies interviewed are

struggling harder and I believe this will bring them better success in the future than to the Spanish companies.

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APPENDIXES

TABLE OF APPENDIXES

Appendix 1: Economic indicators	1
Appendix 2: Reminder interview questions	3
Appendix 3: Summary in Slovene	6

APPENDIX 1: ECONOMIC INDICATORS

Table 1: Real GDB growth

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Slovenia	4.0	5.8	7.0	3.4	-7.8	1.2	0.6	-1.4 ^f	0.7 ^f
Spain	3.6	4.1	3.5	0.9	-3.7	-0.3	0.4	-1.8 ^f	-0.3 ^f
Eur 27	2.1	3.3	3.2	0.3	-4.3	2.1	1.5	0.0 ^f	1.3 ^f

f...forecasted

Source: EUROSTAT, Real GDB growth, 2012 a.

Table 2: General government gross debt (% of GDP)

	2005	2006	2007	2008	2009	2010	2011
Slovenia	26.7	26.4	23.1	21.9	35.3	38.8	47.6
Spain	43.2	39.7	36.3	40.2	53.9	61.5	69.3
Eur 27	62.9	61.6	59.0	62.5	74.8	80.0	82.5

Source: EUROSTAT, Government gross debt 2012 b.

Table 3: General government deficit/surplus (% of GDP)

	2005	2006	2007	2008	2009	2010	2011
Slovenia	-1.5	-1.4	0.0	-1.9	-6.0	-5.7	-6.4
Spain	1.3	2.4	1.9	-4.5	-11.2	-9.7	-9.4
Eur 27	-2.5	-1.5	-0.9	-2.4	-6.9	-6.5	-4.4

Source: EUROSTAT, General government deficit/surplus, 2012 c; Trading Economics, Spain Government budget, 2012 a.

Table 4: Unemployment rate

	2005	2006	2007	2008	2009	2010	2011	2012
Slovenia	10.2	9.4	7.7	6.7	9.1	10.7	11.8	11.9
Spain	9.2	8.5	8.3	11.3	18.0	20.1	21.7	24.6
Eur 27	9.0	8.3	7.2	7.1	9.0	9.7	9.7	

Source: Instituto nacional de estadística, 2012; Statistični Urad Republike Slovenije, Delovno aktivno prebivalstvo, registrirano brezposelne osebe in stopnje registrirane brezposelnosti po starosti in občinah, Slovenija, mesečno, 2012 b; Zavod Republike Slovenije za Zaposlovanje, Stopnja registrirane brezposelnosti, 2012.

Table 5: Forecast for Slovenia

FORECASTS (GDP growth)	2012	2013
OECD	-2%	-0,40%
European Commission	-1,40%	0,70%
European Bank for Reconstruction and Development	-2%	-1,10%
Institute of Macroeconomic Analysis and Development	-0,90%	1,10%
Bank of Slovenia	-1,20%	0,60%

Source: M. Jenko, Padec BDP v evroskupini, še večji v Sloveniji, 2012; Slovenska Tiskovna Agencija, A. T. Kearney: Največ podjetij propade zaradi slabih investicijskih odločitev, 2012.

APPENDIX 2: REMINDER INTERVIEW QUESTIONS

Introduction and explanation of the purpose and topics.

GENERAL INFORMATION

Company

Industry type

Company size (*no. of employees*)

Company's age

Contact person (*name and position*)

Date and time of the interview

Most important product category

EFFECTS OF THE CRISIS

What way did your company start to feel the dimensions of the crisis in?

What was the first thing you and your company did in the area of marketing when crisis started?

How did you adapt to crisis situation in general and in marketing department?

How did the % of sales, attributed to marketing, advertising and R&D, change in the last six years? What happened to marketing expenditure (increased, decreased or stayed the same – what were the motives)?

MEASURING DIFFERENT CONCEPTS

Measuring market orientation

Who forms marketing strategy in your company?

What is your principle when forming marketing strategy?

What does “being market oriented company” mean to you?

Do you perceive your company as market oriented company?

What are – in your opinion – advantages and disadvantages of market orientation?

What do you think are the consequences of your market oriented strategy?

Do you think that being market-oriented has any influence on your company's performance? What kind of influence?

Measuring market orientation on a different basis:

- **Customer orientation:** how frequently do you measure customer satisfaction? How much importance do you put on your customers? Do you follow your customers' need and how do you adapt your strategy based? Do you put any emphasis on customer service (aftersales service)?;

- **Competition orientation:** are you well aware of whom your competitors are? Do you follow your competitors and their strategies? What are your responses on the actions of your competitors?;
- **Inter-functional coordination:** What is the interaction between employees in your company like? How many information on customers, competitors, strategies etc.do you share with other employees? How frequently do you interact with your subordinates? Do you take care of your employees' satisfaction and how?

What effects has market orientation on company performance (*sales, profitability, market share*) in a long term and what in a short term? How would you define short and long term?

Measuring marketing innovation

What do you consider as marketing innovation?

How many innovations did your company have in the last five years? Can you describe them?

What was the (%) profit of these innovations (*in comparison with pre-crisis years*)?

What was the role of other departments in the process of innovation?

How much time do you spend on one innovation?

Are your innovations successful? Based on what do you estimate the success of your innovations?

How much of the profit (%) is meant for innovations?

How do innovations – in your opinion – affect company performance?

Changes in marketing mix:

How did your pricing strategy change in the last five years? What did you gain with that?

How did your promotions change in the last five years, were there any new ways of promotion, what happened with your advertising? What did you gain with that?

How did your distribution changed in the last five years, where there any new and special channels? What did you gain with that?

Measuring competitive advantage

What are your main capabilities? Are they in any way connected with innovations in your company? In what way do they affect competitive advantage?

How do you position your innovations in the market? Do you use them for creating competitive advantage?

What do you perceive as your competitive advantage?

What do your customers perceive as your competitive advantage?

How do you sustain your competitive advantage?

What was the basis for developing your competitive advantage?

Was your competitive advantage damaged during the crisis? How did you deal with that?

Are you familiar with Porter's three strategies (*describe if necessary*)? Which one fits your strategy to the greatest extent?

MEASURING COMPANY PERFORMANCE

Based on three measures: profitability, market share, sales growth.

How did your profit change in the last six years (in numbers or %)?

What happened to your market share in the last few years (% change for each year)?

What happened to your sales in the last few years (in numbers or %)?

How were these three measures connected with your innovations and orientation?

What was in your opinion the main key for your survival in the times of crisis?

APPENDIX 3: SUMMARY IN SLOVENE

Vsako podjetje se v času svojega delovanja srečuje z različnimi situacijami in spremembami tako v zunanjem kot notranjem okolju podjetja. Pogosto se podjetja soočajo s situacijami, kot so ekonomska in finančna kriza, konkurenčna intenzivnost, gospodarski razcvet in padec, združitve in prevzemi. Če želijo preživeti ali ostati uspešni, morajo podjetja v takšnih situacijah prilagoditi svoje strategije. Trenutne gospodarske razmere, s katerimi se sooča večina podjetij tako v Sloveniji kot po svetu, ustvarjajo visoko raven negotovosti in predstavljajo resno grožnjo za preživetje podjetij (Grewal & Tansuhaj, 2001; Kumar et al., 2011). Ekonomska kriza lahko na različne načine vpliva na poslovanje podjetij. Določena podjetja so prisiljena iti v stečaj, druga se soočajo s padajočim povpraševanjem, kar posledično vpliva na višje cene surovin in višje stroške. Vse to se odraža v višjih cenah za končne porabnike. Večina podjetij se v takšnih situacijah srečuje tudi s presežnimi kadri, kar posledično vodi v odpuščanja oziroma v redkih primerih samo do nižanja plač. Vse to negativno vpliva na uspešnost in konkurenčnost podjetja (Köksal & Özgül, 2007). Podjetja so torej v času gospodarske recesije, kateri smo priča v zadnjih letih, prisiljena sprejeti določene ukrepe, s katerimi se prilagajajo razmeram na trgu. V času finančne krize končni potrošniki postanejo cenovno bolj občutljivi in cena postane vse pomembnejši faktor v nakupnem procesu. Da bi zadovoljili vedno bolj spreminjajoče se potrebe in želje svojih porabnikov, morajo podjetja prilagoditi tudi trženjske strategije. Pri tem se morajo osredotočiti na vse štiri P-je trženjskega spleta. Prilagoditev trženjskih strategij v času krize je, glede na mnoge avtorje, eden ključnih ukrepov za preživetje podjetja (Ang et al., 2000; Köksal & Özgül, 2007; Kumar et al. 2011). V magistrski nalogi sem se osredotočila na slovenski in španski trg ter na vplive, ki jih je imela kriza na teh trgih. Obe državi sta in se še vedno soočata z resnimi problemi, kar posledično vpliva na poslovanje vseh podjetij, ki poslujejo na teh trgih. Tako Slovenija kot Španija se soočata s strmim padcem gospodarstva in sta prisiljeni sprejeti stroge ukrepe za izboljšanje gospodarske aktivnosti.

Magistrsko delo je razdeljeno na teoretični in empirični del. V prvem, teoretičnem delu sem se osredotočila na splošen pregled ekonomske in finančne krize, vzroke za njen nastanek in posledice, ki so jih čutila podjetja na slovenskem in španskem trgu ter na vpliv krize na trženjski oddelek v podjetij. Teoretični del je razdeljen na štiri glavna poglavja. Cilj prvih dveh poglavij je analizirati trenutno situacijo na trgu ter razumeti vzroke in posledice za njen nastanek. Poleg tega se preučevana podjetja v mojem vzorcu še vedno srečujejo s podobnimi izzivi kot vsa ostala podjetja na slovenskem in španskem trgu. Za lažje razumevanje situacije preučevanih podjetij je v prvem delu predstavljen splošen opis krize in njenih posledic. Za preučevanje in primerjavo sem izbrala španski trg zaradi različnih razlogov in sicer, ker je bilo in še vedno je, špansko gospodarstvo eno izmed bolj prizadetih v Evropi. Soočajo se z močno gospodarsko recesijo in eno najvišjih stopenj brezposelnosti v Evropi. Poleg tega sem, v času opravljanja prakse v Madridu, imela

priložnost pobliže spoznati delovanje španskih podjetij. V tretjem in četrtem poglavju sem bolj podrobno predstavila vse tri faktorje – tržno naravnost, trženjske inovacije in konkurenčno prednost ter analizirala povezave med samimi faktorji, ki sem jih za lažjo predstavbo grafično predstavila v modelu (glej Figure 1). Glede na oblikovani in predstavljeni model sem nato potegnila vzporednico med preučevano literaturo in lastnimi ugotovitvami. Glavni **cilj** magistrske naloge je torej preučiti in analizirati izbrano literaturo o krizi in vseh treh faktorjih, ki vplivajo na uspešnost podjetja, ugotoviti kakšen medsebojen vpliv imajo ti faktorji in kakšen je njihov dejanski vpliv na uspešnost in preživetje podjetja v času krize.

Glavna **vprišanja**, ki so bila rdeča nit pri preučevanju vpliva krize na trženje in posledično na uspešnost podjetja ter pri pripravi in opravljanju raziskave na slovenskem in španskem trgu, so:

1. Kakšen vpliv je imela trenutna ekonomska in finančna kriza na trženjske strategije in kako so se spremenile investicije v trženje v zadnjih letih v različnih podjetjih?
2. Kako pomembna je tržna naravnost in kakšna je vloga inovacij v trženje, posebno v trženjski splet, v tem obdobju?
3. Kakšno vlogo imajo inovacije v trženje pri oblikovanju konkurenčnih prednosti in ali so konkurenčne prednosti na kakršenkoli način povezane z uspešnostjo podjetja?

V zadnjih letih (od 2007 naprej) se svet sooča s številnimi kazalniki splošne gospodarske krize, kot so padec BDP-ja, investicij in povpraševanja ter naraščanje stopnje brezposelnosti (Alfaro & Chen, 2010; Li, Roca & Papaoikonomou, 2011), kar ima vpliv na uspešnost poslovanja podjetij. Mishkin (1991) je opredelil finančno krizo kot motnje na finančnih trgih, kjer se poslabša stanje negativnih selekcij in problemov moralnega hazarda, zato finančni trgi niso več zmožni učinkovitega financiranja bolj produktivnih investicijskih priložnosti. Finančna kriza tako vodi do neučinkovitosti finančnih trgov.

Svetovni gospodarski upad se je začel leta 2007 na ameriškem trgu zaradi naraščanja števila hipotek kot posledica nizkih obrestnih mer. Zaradi slabega nadzora in nizkih kriterijev posojanja in večletnih nizkih obrestnih mer je cena naraščala skupaj s povpraševanjem, kar je ustvarilo nepremičninski balon. Sčasoma se je zaradi višanja cen, višanja vrednosti nepremičnin in fiksnega prihodka, zmanjšala plačilna sposobnost posameznikov za poplačilo hipoteke. Število hiš je naraščalo, medtem ko je število kupcev upadalo, kar je povzročilo padec cen, bolj stroge kriterije posojilodajalcev in zavrnitve plačila tveganih posojil s strani Wall Street investorjev (Association for Responsible Lending UK, 2005-2010). Podjetja, ki so prodajala tvegana posojila, so se tako soočila s šokantnimi posledicami. Nastopila je finančna kriza, ki se je v letu 2008 še poglobila. Kriza je pokazala močno prepletenost in medsebojno odvisnost trgov, saj se je hitro

razširila po svetu. Tudi po šestih letih je svetovna ekonomija še vedno nestabilna, cilji stabilne rasti in varnih finančnih sistemov pa so še vedno daleč od izpolnitve.

Slovensko gospodarstvo je bilo v razcvetu od leta 2000 do 2007, predvsem po vstopu v Evropsko Unijo (od tu naprej EU). Slovenija je imela pozitivno rast BDP-ja do leta 2008, ko se je prepolovil in v letu 2009 že postal negativen (-8,0%). Javni dolg je narasel z 23,1% v letu 2007 na 50% BDP-ja v letu 2012. Prav tako je stopnja brezposelnosti narasla z 6,7 % (2008) na 12 % (2012) (Statistični Urad Republike Slovenije, 2012). Vsa ta poslabšanja so imela negativne posledice na poslovanje slovenskih podjetij. Globalna ekonomska kriza je Slovenijo močno prizadela v letu 2009 in posledicam krize se ni izognil noben sektor (Bank for International Settlements, 2012; Skledar, 2012). Najbolj prizadeta sektorja na slovenskem trgu sta bila bančni sektor in gradbeništvo, ki je padlo za 30 %. Globalizacija in močna medsebojna odvisnost med sektorji sta povzročila domino efekt (The Economist, 2007), saj so posledice slabšega položaja bančnega in gradbenega sektorja čutili tudi ostali sektorji. To je jasno vidno tudi v moji raziskavi.

Špansko gospodarstvo je četrto največje v evro območju in trinajsto največje na svetu (Kudacki, 2012; The World Factbook, 2012), ki ga je recesija zajela v letu 2008 zaradi padca nepremičnin, ki je razkril nepravilnosti bank in nepremičninskega trga. Tudi špansko gospodarstvo je bilo v razcvetu po vstopu v EU leta 1986. Bilo je eno najuspešnejših in hitro rastočih gospodarstev v EU (Lopez & Emmanuel, 2011). V letu 2007 se je ta rast upočasnila in Španija se je soočila z recesijo v letu 2008. Španski deficit in stopnja brezposelnosti sta hitro naraščala, skupaj z rastjo obrestnih mer in padcem povpraševanja. Špansko gospodarstvo je tako postalo ena največjih skrbi EU (Harrington, 2011; Fontes, 2012). Španija se sooča z eno najvišjih stopenj brezposelnosti, saj se je le-ta povečala z 8,3 % v letu 2007 na 24,6 % v drugi polovici 2012 (Fontes, 2012). Eno večjih skrbi predstavljajo mladi do 25. leta, saj stopnja brezposelnosti v tej starostni skupini znaša 50 %. Javni dolg se je povečal z 40,2 % (2008) na 69,3 % (2011) in glede na napovedi samo še naraščal (Élteó, 2011; Tradings Economics, 2012 b).

Vsaka gospodarska kriza ima vpliv na večino sektorjev, vendar pa se ta vpliv razlikuje glede na karakteristike sektorja. Kljub temu so v sedanjem času globalizacije podjetja medsebojno zelo povezana, kar pomeni, da ima kriza posreden vpliv tudi na poslovanje podjetij (Grewal & Tansuhaj, 2001). Pomemben vpliv krize na poslovanje podjetij so potrdili tudi številni avtorji v svojih delih, kljub temu da je ta vpliv lahko posreden ali neposreden, pozitiven ali negativen, močan ali šibak. Zaradi tega se sčasoma vsa podjetja začnejo srečevati s posledicami, kot so izgube naročil in kupcev, neplačila ali zamude pri plačilih in pritiski po nižanih cenah. Zato je večina podjetij prisiljena v prilagajanje svojih strategij.

Glede na preučevano literaturo sem izbrala tri **faktorje**, ki imajo pomemben vpliv na uspešnost podjetja ali celo na njegovo preživetje v času krize in sicer: tržna usmerjenost podjetja, inovacije v trženje in konkurenčna prednost. **Inovacije** so v podjetju zelo pomembne, a za uspešne rezultate zahtevajo obvezo in vizijo na dolgi rok. Rehab in Suliyanto (2011) razlikujeta med štirimi vrstami inovacij in sicer izdelčnimi/storitvenimi inovacijami, procesnimi, trženjskimi in organizacijskimi inovacijami. Izdelčne inovacije vključujejo inovacije tako v izdelke kot storitve in predstavljajo uvedbo novega ali izboljšanega izdelka oziroma storitve, medtem ko procesna inovacija predstavlja uvajanje novega ali izboljšanega načina proizvodnje. Trženjske inovacije vključujejo inovacije v vse štiri elemente trženjskega spleta (ki so tudi fokus moje magistrske naloge), medtem ko organizacijska inovacija predstavlja uvajanje novih organizacijskih metod, ki vplivajo na izboljšanje poslovanja podjetja. Cilj trženjskih inovacij je povečati prodajo prek novih trgov, drugačnega pozicioniranja in boljšega zadovoljevanja potreb porabnikov. Podjetja se morajo neprestano prilagajati vedno spreminjajočim se potrebam porabnikov, novim tehnologijam in konkurenci, zato so tudi inovacije v vse štiri elemente trženjskega spleta ključnega pomena, predvsem v času krize (Ang et al., 2000; Lawson & Samson, 2001; Organization for Economic Co-operation and Development, 2005). Trženjske inovacije postajajo vse bolj pomembne predvsem zato, ker predstavljajo ključni faktor pri boju s konkurenco in pri soočanju z gospodarskimi turbulencami (Naidoo, 2010). V literaturi se inovacije največkrat nanašajo na inovacije v nov izdelek (Han et al., 1998), ki je definiran kot izdelek, ki je namenjen tistim porabnikom, ki še ne poznajo podjetja ali pa samega izdelka in tehnologije (Dougherty & Hardy, 1996). Pri tržnih poteh se trženjske inovacije največkrat nanašajo na uvedbo novih prodajnih poti in premestitev lastnih virov na uspešnejše kanale (Köksal & Özgül, 2007; Organization for Economic Co-operation and Development, 2005). Inovacije v nov izdelek oziroma storitev in procesne inovacije imajo močan vpliv tudi na strategijo cen. Z nižanjem proizvodnih stroškov lahko podjetje ponudi nižjo ceno, kar vpliva na njegovo konkurenčnost. Kljub temu da z nižanjem cen podjetje pozitivno vpliva na rast prodaje na kratek rok, pa to lahko negativno vpliva na profitabilnost in podobo blagovne znamke na dolgi rok. Zato avtorji poudarjajo, da mora biti strategija spremembe cen v času krize povezana z inovacijami v ostale elemente trženjskega spleta (Chenavaz, 2011; Köksal & Özgül, 2007). Pri trženjskem komuniciranju se inovacije nanašajo predvsem na nove metode promocij za razlikovanje lastnih izdelkov od konkurence (Organization for Economic Co-operation and Development, 2005).

Skozi desetletja so mnogi avtorji trdili, da podjetja s **tržno naravnostjo** izboljšujejo svoje poslovanje na trgu. Prav tako je tudi v zadnjem času tržna naravnost postala pomembna predvsem zato, ker naj bi ključno vplivala na uspešnost podjetja v času krize, saj spodbuja nenehen razvoj procesov in storitev podjetja (Kumar et. al, 2011; Narver & Slater, 1990). Avtorji definirajo tržno naravnost kot organizacijsko kulturo, ki učinkovito in uspešno ustvarja potrebno vedenje za ustvarjanje dodane vrednosti za kupce

in boljšo uspešnost podjetja (Nargundkar & Shergill, 2003). Narver in Slater (1990) sta definirala tri vedenjske komponente tržne naravnosti:

- naravnost h kupcem, ki se osredotoča na razumevanje porabnikov in njihovih želja v sedanost in prihodnosti, kar jim omogoča ustvarjanje večje vrednosti za porabnike;
- naravnost h konkurentom, ki zajema razumevanje prednosti in slabosti vseh sedanjih in potencialnih konkurentov;
- medfunkcijska koordinacija, ki se osredotoča na povezano uporabo vseh virov, ki so v podjetju, s ciljem ustvarjanja dodane vrednosti.

Prvi dve komponenti vsebujeta pridobivanje informacij o kupcih in konkurentih na ciljnim trgu, medtem ko medfunkcijska koordinacija na podlagi teh informacij poveže med seboj vse oddelke v podjetju z namenom ustvariti dodano vrednost za kupce. Pri tržni naravnosti igrata ključno vlogo tudi dva odločitvena kriterija, in sicer dobičkonosnost kot komponenta in posledica tržne naravnosti ter dolgoročna usmerjenost, ki vsebuje investicije v ustvarjanje dodane vrednosti. Po študijah nekaterih avtorjev so izdelki proizvedeni s strani tržno naravnanih podjetij bolj konkurenčni in vodijo k večjemu zadovoljstvu porabnikov in posledično k ponavljajočemu poslovanju (Atuahene-Gima, 1996).

V nenehno spreminjajočem se okolju in pod pritiskom konkurence je za podjetje odločilnega pomena, da uporabi svojo tehnologijo in znanje z namenom razvijanja konkurenčnih prednosti. **Konkurenčna prednost**, ki je definirana kot “strategija, ki ustvarja večjo dodano vrednost in če ni bila realizirana s strani konkurence”, je trdno povezana z uspešnostjo podjetja, saj naj bi obstojne konkurenčne prednosti vodile do izboljšane uspešnosti podjetja (Gulev & Omerzel, 2011; Naidoo, 2010). Da bi ohranili konkurenčno prednost, morajo biti podjetja sposobna ustvariti proizvode in procese z uporabo napredne tehnologije na globalni ravni in s hitrejšimi premiki od konkurence (Porter & Stern, 2001). Pri ustvarjanju konkurenčne prednosti so ključnega pomena sposobnosti podjetja, ki vključujejo ljudi, procese, znanje, vodstvene sposobnosti, ki omogočajo boljšo uporabo vseh virov potrebnih za boljšo poslovanje podjetja (Gulev & Omerzel, 2011).

Številni avtorji, ki so preučevali te faktorje v povezavi z uspešnostjo podjetja, so vzpostavili različne povezave med njimi. Naidoo (2010) je povezal vse štiri koncepte, kjer so vsi medsebojno odvisni. Glede na njegovo študijo bi podjetje moralo biti tržno naravnano, s čimer bi bilo sposobno razviti znanje in veščine za inovacije, ki so ključne pri ustvarjanju in ohranjanju konkurenčnih prednosti podjetja. Le-te so bistvenega pomena pri uspešnosti poslovanja in celo pri preživetju v težkih časih krize. Kljub temu da povezava med tržno naravnostjo podjetja in inovacijami v trženje še ni jasno opredeljena v teoriji, mnogi avtorji verjamejo, da med dejavniki obstaja pomembna povezava, ki ima neposreden in posreden vpliv na uspešnost podjetja. Glede na mnoge študije obstaja

neposreden in pozitiven vpliv inovacij v trženje na uspešnost in celo preživetje podjetja. Prav tako naj bi oba faktorja, tržna naravnost in inovacije v trženje, posredno vplivala na uspešnost podjetja in imela pomemben vpliv na razvoj sposobnosti podjetja, iz katerih podjetje nato razvije svoje konkurenčne prednosti. Kljub temu avtorji poudarjajo, da lahko le edinstvene in neponovljive sposobnosti ustvarijo konkurenčne prednosti na dolgi rok, ki imajo nato pozitiven in pomemben vpliv na rast in preživetje podjetja. Vse te povezave so kasneje predstavljale rdečo nit pri raziskavi in analizi.

Empirični del je namenjen obrazložitvi metodologije, in sicer poglobljenih intervjujev kot primarno metodo raziskovanja. Z raziskavo in primerjavo sem želela analizirati, kakšne vplive je imela kriza na preučevana podjetja in na njihovo uspešnost, raziskati, kakšen je vpliv tržne naravnosti, inovacij v trženje in konkurenčnih prednosti na uspešnost izbranih podjetij, ugotoviti ali ima trg kot takšen kakšen vpliv na samo uspešnost podjetij in na katerem trgu so bila podjetja uspešnejša v soočanju s posledicami krize. Raziskava je bila izpeljana v podjetjih, ki delujejo na slovenskem in španskem trgu. Glavni cilji raziskave so sledeči:

1. Raziskati in analizirati neposreden in posreden vpliv tržne naravnosti na uspešnost podjetja;
2. Raziskati in analizirati vpliv tržne naravnosti in inovacij v trženje na razvoj sposobnosti podjetja, ki so osnova za vzpostavitev konkurenčne prednosti;
3. Raziskati in analizirati povezavo med vsemi tremi koncepti in njihov vpliv na uspešnost podjetja;
4. Primerjati povezave med podjetji na slovenskem trgu in podjetji na španskem trgu;
5. Primerjati lastne ugotovitve s teoretično podlago z namenom poiskati podobnosti in razlike.

V empiričnem delu sem natančneje preučila šest podjetij, ki poslujejo najmanj deset let in od katerih tri poslujejo na slovenskem in tri na španskem trgu. Primarni podatki so bili pridobljeni s pomočjo poglobljenih intervjujev z direktorji, lastniki ali direktorji marketinškega oddelka. Za kvalitativno metodo poglobljenih intervjujev sem se odločila iz enega razloga, in sicer zato, ker sem potrebovala bolj globo razumevanje in širše znanje o uspešnosti podjetij. Poleg tega poglobljeni intervjuji omogočajo dodatna vprašanja in razlage, kar posledično privede do bogatejših informacij in celostne slike (Churchill & Iacobucci, 2010; Theodorakioglou & Wright, 2000). Moj vzorec se nanaša na mala in srednje velika podjetja, saj so le-ta po poročanju Evropske komisije med najbolj prizadetimi zaradi kreditnega krča (Mórec & Raškovič, 2011). Naključno izbran vzorec v moji raziskavi ni relevanten, saj so izbrana podjetja morala ustrezati določenim predpogojem. Poleg tega je bil moj cilj, zaradi relevantnejše primerjave, poiskati podjetja, ki poslujejo v podobnih sektorjih. Moja raziskava temelji na analizi sekundarnih podatkov, na podlagi katerega sem razvila zgoraj omenjeni model (Figure 1) in na podlagi katerega

sem potegnila vzporednico med preučevano teorijo in lastnimi ugotovitvami. V pomoč pri izvajanju intervjujev mi je bil opomnik z vprašanji, ki se nahaja v prilogi 2. Vprašanja so bila prilagojena glede na posamezno preučevano podjetje, poleg tega pa so bila prevedena tako v slovenski kot španski jezik. Intervjuji so bili tako opravljeni v materinem jeziku predstavnikov, saj sem se s tem izognila morebitnemu pomanjkanju informacij zaradi jezikovne pregrade. Nekateri predstavniki podjetij niso želeli, da bi bilo ime podjetja javno razkrito, zato sem se odločila, da imena podjetij in intervjuvancev v nalogi ne bodo razkrita. Zaradi tega sem podjetja poimenovala kar po sektorjih, v katerih delujejo in spredaj dodala M za Madrid in S za Slovenijo, da ne bi prišlo do nejasnosti.

Moja raziskava je pokazala, da so spremembe v trženjski splet, poimenovane tudi kot inovacije v trženje, zelo pomembne za uspešnost podjetja, tako na splošno kot v času krize. V preučevanem vzorcu imajo najpomembnejšo vlogo inovacije v produkte. Podjetja zaznavajo ta tip inovacij kot najpomembnejši, medtem ko cenovne inovacije ne morejo biti klasificirane kot inovacije, saj je nižanje cen samo nujen ukrep, ki ga morajo podjetja sprejeti za ohranjanje poslovanja. V času krize lahko podjetja sprejmejo dva ukrepa in sicer, da isto kvaliteto ponudijo po nižji ceni ali po isti ceni ponudijo višjo kvaliteto (Köksal & Özgül, 2007). Kljub temu je bilo samo nižanje cen najpogostejši ukrep v zadnjih šestih letih za ohranjanje konkurenčnosti in poslovanja.

Moja raziskava je pokazala tudi, da so inovacije v trženje ključne za preživetje podjetja tako v času krize kot na splošno. Prav tako sem ugotovila, da je tržna naravnost v nekaterih primerih pomembna osnova za inovacije v trženje. Biti sposoben poznati in razumeti ne samo porabnikove potrebe ampak tudi razmere na trgu, je lahko podjetju v veliko pomoč pri inovacijah izdelkov in storitev, ki jih trg potrebuje in želi. Kljub temu pa jasna povezava med tema dvema faktorjema ne more biti natančno definirana, kot so potrdile tudi že raziskave številnih drugih avtorjev. Analiza raziskave je tudi potrdila, da je povezava med inovacijami v trženje in konkurenčnimi prednostmi močnejša kot povezava med tržno naravnostjo in konkurenčnimi prednostmi, saj je le-ta manj jasna in vidna. Raziskava je pokazala, da je večina podjetij, ki so bolj tržno naravnana in inovativna ter imajo konkurenčne prednosti, ki izhajajo iz prvih dveh faktorjev, bila in še vedno so uspešna pri soočanju s krizo. Kljub temu je analiza pokazala, da so podjetja lahko uspešna pri soočanju s krizo tudi brez inovacij, samo z tržno naravnostjo.

Glavni namen primerjalne analize je bilo vzpostaviti primerjavo med razumevanjem konceptov med podjetji na slovenskem in španskem trgu ter ugotoviti, na katerem trgu in katera podjetja so bila uspešnejša pri soočanju s krizo. Analiza raziskave je pokazala, da se percepcija konceptov in poslovanje podjetij razlikuje bolj glede na sektor kot pa na geografsko območje. V zaključku analize sem ugotovila, da so slovenska podjetja bolj tržno naravnana, bolj usmerjena v inovacije in uspešno kljubujejo krizi. Vsa ta slovenska podjetja imajo razvite lastne strategije, ki jim pomagajo preživeti v kriznih razmerah.

Glede na poglobljene intervjuje sem zaključila, da se slovenska podjetja bolj borijo za preživetje in uspeh. Verjamem, da jim bo to prineslo boljši uspeh v prihodnosti kot pa španskih podjetjem.