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CONSUMER PERCEPTION OF THE TASTE QUALITY OF A DRINK AND ITS EFFECTIVENESS ACCORDING TO THE BRAND AND TYPE OF GLASS IN WHICH IT IS SERVED: THE CASE OF AN ENERGY DRINK

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Abstract

The brand has an impact on the consumer, on his perception of product quality and the expected user experience. In the present study, we investigated the impact of the brand on consumer's perception of taste and energy efficiency of tested energy drinks and wanted to confirm the impact of irrational (emotional) perception of taste quality of tested energy drinks and their energy efficiency. The testes were users of energy drinks and were familiar with the energy drinks they tested. Their decisions relied solely on their own experience and knowledge. We investigated the impact of properties that are not related to product components and confirmed the assumption that these properties play an important role in developing a competitive advantage. A study of S-Budget, Monster and Red Bull energy drinks showed the influential power of the brand in all cases. It also demonstrated how the perception of the taste quality and energy efficiency of the tested beverages is affected by the shape of the glass in which a particular brand is tested.

Key Words

Brand; perception; taste quality; energy efficiency; energy drink.

INTRODUCTION

Numerous case studies and some previous tests have shown that a brand influences product perception (Rigaux-Bricmont, 1982). Also, different types of glasses affect the perceived level of beverage quality (Cliff, 2001; Newton, 2015). If respondents do not know what kind of drink is located in the same type of glasses, their answers are independent of factors that are not the characteristics of the product and focus only on the characteristics of the product itself. For example, the popular Coca Cola and Pepsi test showed that the brand has a very strong influence on taste perception. When participants did not know which brands they tried, they rated Pepsi as better than Coca Cola, but when they tried a drink and knew which brands they were testing, most rated Coca Cola as tasting better (Yglesias, 2013). Our research will try to confirm the theses on the influence of glasses and the influence of the brand on the quality of taste and energy efficiency of three selected energy drinks.

BACKGROUND, IDEA DEVELOPMENT, IDEA FRAMEWORK

Impact of value added (effect)

Many basic product characteristics can be enriched with characteristics that are not directly related to the physical product itself (Agyekum et al., 2015). As published by Rao and Monroe (1989), "Meta analyzes show that for consumer products, the relationship between price and perceived quality and between brand and perceived quality is positive and statistically significant". As stated in the literature: "Brands act as a prism that upgrades the objective properties of a product by creating new / additional perceptions and associations." (Calkins, 2005, Gabrijan and Snoj, 2012). In the competitive market a product can stand out with using its properties, but it must be unique in certain properties and have significant advantages over competitors in the form of new / additional features, But if the product cannot compete with product advantages, the market advantage can be achieved through intangible values that become product added values. This is how brand equity is created. Keller (1993, p. 1) defines brand equity: "Brand equity is the effect of the marketing of a brand on its knowledge and consequently on consumer response to it." Brand equity is the result of past investment in its marketing and is the acquired product added value, directed to the customer's minds. The brand equity shapes the customer's mental image of the brand (Riezebos, 2003). The biggest challenge is to create positive perceptions by providing the relevant product experience, where both functional and emotional experiences are linked to the product (Ramanjaneyalu et al., 2013). Thus, brand perception is an image that a brand creates in the minds of customers through a variety of connections and associations (Pompe, 2017). One way to understand what a brand equity is to understand the results of product benchmarking.

Perception

The process of perception consists of exposure, attention and interpretation (Vukasović, 2012, pp. 99–100). Woodruff (1997, p. 142) points out that “value systems shape customer perceptions, preferences, and evaluations”. Aaker and Joachimsthaler (2000) said that “perceived quality is a special type of association, partly because it affects brand associativity in different contexts, and partly because it has been empirically proven to generate profitability.” Perception is not only conditioned by physical stimuli, but also by the relationship between these stimuli and the environment and the client's internal state (Kotler in Konečnik, 2011, p. 88). According to Zeithaml (1988), perceived quality is “the consumer’s judgment of overall product excellence or redundancy”. Perceived product quality is the consumer's perception of all components of a product - both tangible and intangible properties (Vantamay, 2008). Intangible characteristics include a brand that becomes stereotyped over time and represents a certain consumer belief about labelled products (Kervyn et al., 2012; Kolbl, 2018), and such beliefs can guide consumer perceptions (e.g., brand ratings), intentions (e.g. purposes of purchase) and actual behavior (e.g., brand ownership) (Kervyn et al., 2012). Thus, marketers face some fundamental issues. One is the influence of the brand and the other is the effect of the offer / presentation / packaging of the product. The issues we face in this article are:

- How the perceived quality of glasses affects the perception of the quality of taste and energy efficiency of tested energy drinks?
- How the consumer's knowledge of energy drink brands affects their perception of taste quality and energy efficiency?
- How well can the buyers / users of the researched energy drink brands recognize them?

The power of a brand is a component of customer's knowledge, feelings and experiences with brand, gained over time. Similar, this can be asserted with the perception of different shapes of the same types of objects (in our case glasses). The challenge for marketers, while creating an influential brand, is to ensure that customers have the right kind of experience with products and services and accompanying marketing messages, so that the desired thoughts, feelings, images, beliefs, opinions and perceptions are the same as the manufacturer / marketer wants to create. In our article, we found out how the perceptions of the studied energy drinks, which do not derive from their basic characteristics, affect the quality of taste and energy efficiency of the researched product.

Benchmarking

One of the fundamental conclusions of the “Pepsi paradox” described by Lone Frank in *Science American* is that we should accept the possibility of brand perception prevailing over the actual property of the product. Coca Cola's victory is a brand's victory over taste and a clear sign that companies producing consumer products need to invest a lot of money in creating quality awareness (Frank, 2009). Researchers who were

enthralled by the paradox, suggest that Coke's ads actually change the human brain. Another example, Larry Percy did an experiment with beer tasting, showed how consumers are able to differentiate if they know which brand of beer they drink and how little difference they can perceive if they don't know the brands of beer. Good connoisseurs-consumers also have trouble distinguishing between brands. When consumers choose products with or without a brand, it is found that knowledge of the brand changes their perception. Thus, consumers' perceptions of product quality, performance, and performance are highly dependent on their perceptions and impressions created about the brand (Ramanjaneyalu et al., 2013).

On the other hand, Margaret Cliff (2001) proved that "a wine glass significantly affects the overall perceived intensity and color of wines". As he says, there is little published scientific information on the interaction between drink, glass and drink perception and it is mostly technical information from producers who, for example, claim that "certain wine glasses are optimized for a particular type of wine." Most publications also do not distinguish between sensory influences, aesthetic perception, and hedonistic evaluation. In fact, it is more about the results of advertising and marketing glasses, which creates a certain perception, which is biased and involves various aesthetic and cognitive influences associated with the use of certain glasses (Fischer, 1999).

CONCEPT

Our emphasis was on the quality of taste and energy efficiency of three different and well-known brands of energy drinks in Slovenia, each of which represents a different price range. The testes were users of energy drinks and were familiar with the energy drinks they tested. Their decisions relied solely on their own experience and knowledge.

Objective of the study: To understand the consumer's perception of taste and energy efficiency of different energy drinks. We wanted to confirm the influence of irrational (emotional) perception of the taste quality of tested energy drinks and their energy efficiency and understand the influence of properties that are not related to product ingredients and confirm the assumption that these properties play an important role in developing competitive advantage.

Fundamental questions of the study: Do the different type and quality of glasses in which the researched energy drinks are served affect the perception of taste quality and their perceived energy efficiency? Will the taste quality of the energy drink and its perceptual effectiveness differ when we compare two different tests, in the first test takers will try drinks from different glasses and in the second test from the same glasses? If participants know in which glass the drink of a certain brand is (assuming that all glasses are of the same quality), will the brand affect the perceived taste quality and the perceived energy efficiency of the drinks studied?

Our hypotheses:

H1: Different levels of glass quality affect the perception of the quality of the taste and the energy efficiency of energy drinks.

H2: A product comparison without the influence of non-product elements reflects a real attitude towards the perceived quality and efficiency of the product.

H3: The perceived quality of an energy drink brand affects the quality of the taste and its energy efficiency.

H4: Blind recognition of a particular brand of energy drink is rare.

This paper also seeks to understand whether non-product-related associations play an important role in product differentiation.

METHODOLOGY

To understand the impact of the brand's intangible assets on the perception of taste quality and energy efficiency of energy drinks, we performed comparative testing. In addition, we also tested the influence of the type of glass on the perceived taste quality and on the perceived energy efficiency of energy drinks. We measured the consumer preferences and the decisions of participants relied solely on their own experience and knowledge. We used a taste quality test in which participants tested drinks in both different glasses and in the same glasses without knowing the brand. To this test we added a test in which participants know which brand they are testing. We collected and analyzed perceptions of taste quality and energy efficiency of the product and compared the results. It turned out that in each of the tests (test # 1, test # 2 and test # 3) the results were different.

Research sources: Primary and secondary data were used to achieve the study objective. Primary data were obtained by testing taste and energy efficiency. Secondary information was obtained from various books, magazines and Internet sources.

Researched population: Consumers of soft drinks - students from Slovenia. Age 19 to 22 years. Even distribution by gender (approx. 50:50).

Sample: 30 participants

RESEARCH

The research is based on tasting three energy drink brands: Red Bull, Monster and S-Budget (Spar brand). Four separate tests were performed and each of the performed tests was based on two configurations:

1. we used three different types of glasses, each filled with one of the researched energy drinks, and
2. we used three identical glasses, each filled with one of the researched energy drinks.

In tests # 1, # 2, and # 4, except for test # 3, participants did not know which energy drink was in a particular glass (they could not associate the drink with its brand). In test # 1, we used three types of glasses: a plastic glass, a regular glass of water and a wine glass. For tests # 1, # 2 and # 4, the glasses were pre-filled with tested drinks. Only the researcher knew which glass contained a particular drink. The research was conducted individually; each participant was alone with the researchers. The entire survey was videotaped. Participants were encouraged to define their perception of the taste quality and energy efficiency of each of the energy drinks served. The amount in each glass was limited and participants were advised to test in small sips. The task of each test subject was: (a) to determine the taste quality of beverages with two levels of quality: best taste, worst taste and (b) to assess the perceived energy efficiency of beverages by assigning two levels of efficiency: most efficient and least effective. In Experiment # 1, # 2, and # 4, participants did not know which brand they were tasting, only the researcher knew.

TESTING DESCRIPTION

Test # 1 - testing the impact of different glasses on the perceived quality and energy efficiency of energy drinks

Participants tested three energy drinks, each filled in different types of glasses: a plastic glass (filled with Red Bull), a regular water glass (filled with Monster), and a wine glass (filled with S-Budget). The amount of each drink in each glass was the same. Participants, not knowing in which glass each of the three drinks was located, tested each drink and assessed its taste quality and perceived energy efficiency. The researcher wrote down all the answers. The procedure was the same for each test participant.

Test # 2 - Blindly test the quality and energy efficiency of energy drinks

There were samples of energy drinks in three identical plastic glasses labelled A, B, and C: Red Bull, Monster, and S-Budget. Only the researcher knew which drink was labelled with a particular letter. The amount of each drink in each glass was the same. Participants, not knowing in which glass each of the three drinks was located, tested each drink and assessed their taste quality and perceived effectiveness. The researcher wrote down all the answers. The procedure was the same for each test subject.

Test # 3 - testing the impact of different brands of energy drinks on the perceived quality and energy efficiency of energy drinks

Each brand of energy drink was poured into a separate empty plastic glass in front of each participant. Thus, the test subjects knew which drink was in which glass, but they were not labelled. In one was both Red Bull, in the second Monster and in the third S-Budget. Next to each plastic glass, we placed the corresponding branded can of energy drink so that the participants knew at all times which drink was in which glass. The amount

of drink filled was the same for all drinks. Participants, knowing where a particular brand of beverage is located, ranked taste quality and perceived energy efficiency.

Test # 4

In three identical plastic cups labelled with the letters A, B, and C, were filled with samples of energy drinks: Red Bull, Monster, and S-Budget. Only the researcher knew which drink was where. The amount of each drink in each glass was the same. Participants, not knowing where a particular energy drink brand was, had to tell which brand was in which plastic cup. The researcher wrote down all the answers. The procedure was the same for each participant.

THE RESULTS

Test # 1 - testing the impact of different glasses on the perceived quality and energy efficiency of energy drinks

Respondents tried different brands of energy drinks from three different types of glasses that had been prefilled and placed on a table in front of each individual respondent. Respondents did not know which drink was in a particular glass, only the researcher knew. Glass wine glass contained S-Budget drink, water glass contained Monster drink and plastic glass was filled with Red Bull drink. We researched the best taste, the worst taste, the highest energy efficiency and the lowest energy efficiency.

The best taste. Half (50%) of the respondents claimed that the drink served in a wine glass (S-Budget brand) tastes the best. 37% thought that the drink in the water glass (Monster brand) tastes best and only 13% attributed the best taste to the drink in a plastic glass (Red Bull brand).

The worst taste. Less than a half of respondents (44%) thought that the drink in the water glass (Monster brand) had the worst taste, 31% thought that this was true of a drink in a plastic glass (Red Bull brand) and one quarter chose a drink in a wine glass (S-Budget brand) as the one with the worst taste

By comparing the influence of wine glass on taste, we found that the elegant shape of the glass in half of the participants influences the selection of the best taste, while the decision on the worst taste was influenced by such glasses only in a quarter of cases. In the case of the impact of the water glass, an equivalent impact was detected at both extremes, while the plastic glass, given its comparable lowest quality level, had a large impact on the small attribution in determining the best taste. It is also interesting to note that the majority of participants mostly decided between glass cups in determining the quality and to a lesser extent referred to a plastic glass, which suggests that glass cups are more attractive to participants.

The chi square test showed a value of $H_{12} = 4.22$, with a probability of $p = 0.12$ which means that the results are not statistically significant.

Table 1: Testing the effect of different glasses on perceived quality of taste of energy drinks

Type of glass	The best taste		The worst taste	
	f	%	f	%
wine glass	15	50	8	25
water glass	11	37	13	44
plastic cup	4	13	9	31
	30	100	30	100

Source: Own survey.

Maximum efficiency. The perceived energy efficiency was not significantly different (4 percentage point deviation) among those who opted for a glass cup (wine glass - S-Budget brand; water glass – Monster brand). 89% of all participants opted for a glass jar. The remaining 19% thought that a drink in a plastic glass was the most effective (Red Bull brand).

Minimum efficiency. As many as 63 percent of testers agreed that a drink in a plastic glass was the least effective (Red Bull brand), a quarter thought it was a drink in the wine glass (S-Budget brand), and a good tenth attributed the lowest energy efficiency to drinks in the water glass (Monster brand). Perceived energy efficiency was affected in almost 2/3 of cases by a glass of the lowest quality, and both glass cups together accounted for 37 percent.

By comparing the influence of the type of glass on efficiency, we found that the perceived obviously lowest quality glass (plastic) has a significant effect on the lowest energy efficiency of the tested drink, as it exceeds this by 13 percentage points from the average influence of glasses. The impact of a wine glass is 25 percentage points on average, and a glass of water is even 38 percentage points. In the variable 'maximum efficiency', the pronounced influence of both types of glass was not shown (both between 37% and 44%), but in the total they both had a significant effect on the perceived energy efficiency (89%).

The hi square test showed a value of $HI^2 = 12.52$, with a probability of $p = 0.02$, which means that we can confirm the results as statistically significant.

Table 2: Testing the influence of different glasses on the perceived energy efficiency of energy drinks

Type of glass	Maximum efficiency		Minimum efficiency	
	f	%	f	%
wine glass	13	44	8	25
water glass	11	37	3	12
plastic cup	6	19	19	63

30 100 30 100

Source: Own survey.

Test # 2 - blind testing the quality and energy efficiency of energy drinks

The energy drinks were previously poured into three identical plastic cups labeled with the letters A (Red Bull brand), B (S-Budget brand) and C (Monster brand), so respondents could not know which glass contained the drink of a particular brand. The questions we were interested in were the same as in the first test: the quality of the taste and the energy efficiency of the energy drink.

The best taste. Half of the respondents said that the drink in glass A (Red Bull brand) tasted the best, just under a third attributed the best taste to the drink in glass B (S-Budget brand) and a good fifth in glass C (Monster brand).

The worst taste. The worst-taste was attributed by 43 percent to the drink in glass B (S-Budget brand), 29% to the drink in glass A (Red Bull brand) and 28% to that in glass C (Monster brand).

The chi square test showed a value of $HI_2 = 3.56$, with a probability of $p = 0.16$ which means that the results cannot be confirmed as statistically significant.

Table 3: Blind testing of the taste quality of energy drinks.

Plastic glass	Best taste		Worst taste	
	f	%	f	%
A	15	50	8	28
B	9	29	13	43
C	6	21	9	29

30 100 30 100

Source: Own survey.

Maximum efficiency. The highest energy efficiency (50% of responses) was attributed to the drink in glass C (Monster brand), a few less (43%) to the glass A (Red Bull brand) and only 7% of respondents recognized the most efficient the drink in glass B (S-Budget brand).

Minimum efficiency Fifty-seven percent of respondents chose the drink in glass B (S-Budget brand) as the least energy efficient, while the other two drinks (glass A - 21% and glass C 22%) were less represented in the definition of minimum efficiency.

The hi square test showed a value of $HI_2 = 21.40$, with a probability of $p = 0.0002$ which means that we can confirm the results as statistically significant.

Table 4: Blind testing of energy efficiency of energy drinks

Maximum efficiency	Minimum efficiency
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Plastic glass	f	%	f	%
A	13	43	6	21
B	2	7	17	57
C	15	50	7	22
	30	100	30	100

Source: Own survey.

Respondents fluctuated between glasses A and C in terms of maximum energy efficiency, with the drink in glass C (Monster brand) being the most represented with 50%. In a negligible proportion, the beverage in glass B (S-Budget brand) was selected as the most efficient, and therefore stood out in the definition of the lowest energy efficiency with just under 60% of attributions. The other two drinks had almost the same percentage of energy inefficiency attributions (each with just over 1/5 of the attributions). None of the beverages tested would be the most convincing in determining the best energy efficiency, and therefore the beverage in glass B has been shown to be the least energy efficient.

Test # 3 - testing the impact of different brands of energy drinks on the perceived quality and energy efficiency of energy drinks

The drinks were poured directly from original cans (Monster, S-Budget and Red Bull) in front of each participant, so that she or he had a clear information about which glass contained which brand. The questions we were interested in were the same as in the first and second tests.

The best taste. Half of the respondents attributed the best taste to Red Bull, Monster has the best taste for a good quarter of the respondents (28%), and a fifth believe that S-Budget has this property.

The worst taste. Among the tested drinks, 43% of the tested drinks attributed the worst taste to the S-Budget drink, and the other two drinks were evaluated in a similar percentage (just under 30% each).

The chi square test showed a value of $H_{12} = 32.15$, with a probability of $p = 0,0006$ which means that we can confirm the results as statistically significant.

Table 5: Testing the influence of different brands of energy drinks on the perceived taste quality of energy drinks

Brand	Best taste		Worst taste	
	f	%	f	%
S-Budget	15	22	8	43
Monster	11	28	13	29
Red Bull	4	50	9	28
	30	100	30	100

Source: Own survey.

Maximum efficiency. Half of the respondents (50%) chose Monster as the most energy efficient drink, followed by Red Bull with 44%, followed by S-Budget with 6%.

Minimum efficiency. Almost 60% of respondents declared S-Budget to be the least energy efficient, the other two drinks are each represented by just over 20%.

The hi square test showed a value of $HI2 = 145.56$, with a probability of $p = 0.000$, which means that we can confirm the results as statistically significant.

Table 6: Testing the impact of different brands of energy drinks on the perceived energy efficiency of energy drinks

Brand	Maximum efficiency		Minimum efficiency	
	f	%	f	%
S-Budget	13	6	13	6
Monster	11	50	11	50
Red Bull	8	44	8	44
	32	100	32	100

Source: Own survey.

Given the popularity and leadership of the Red Bull brand, test takers were expected to attribute both the best taste and energy efficiency to it, but the Monster brand turned out to be a very strong competitor in terms of energy efficiency, as it was awarded 6 percentage points more than the Red Bull brand. Red Bull was the most frequently chosen drink when choosing the best flavor (half of all attributions), while the other two were relatively evenly represented, with S-Budget being the worst (22%). The most energy inefficient is S-Budget (just under two thirds), while the other two drinks received 1/5 of each.

Test # 4 - Blind recognition of tested brands

All three energy drinks were pre-filled into plastic cups, so test takers did not know which glass contained a particular brand of energy drink. Glass A contained Monster drink, glass B S-Budget drink and glass C Red Bull drink. The testers tried to determine which cup contained one of the three brands tested. The results showed that in half of the cases, the test takers mixed between the flavors of the Red Bull and S-Budget brands, as 50% of them thought that the B glass contained Red Bull, even though it contained S-Budget. Only 38% of respondents correctly identified the Red Bull drink. Even with a glass of C filled with an S-Budget drink, the claims were wrong, as 44% of respondents thought it was Red Bull. The 69% of the participants correctly recognized which glass contained Monster, which points to the fact that this energy drink has a well-recognized taste.

The hi square test showed a value of $HI2 = 24.71$, with a probability of $p = 0.000$, which means that we can confirm the results as statistically significant.

Table 7: Blind identification of tested brands by tasting

	Red Bull	S-Budget	Monster			
Glass - Brand	f	%	f	%	f	%
A - Monster	3	12	8	25	20	69
B - S-Budget	15	50	9	31	3	12
C - Red Bull	12	38	13	44	7	19
	30	100	30	100	30	100

Source: Own survey.

FINDINGS

This study unequivocally showed that associations unrelated to product characteristics play an important role in their differentiation and preference. When participants did not know which brands they test, they found that the drink tasted best in a wine glass, even though it contained a low-priced S-Budget brand drink. But once they knew which brand they were drinking, they thought the Red Bull drink tasted the best. The elegant wine glass impressed the participants and added irrational value to the perception of taste. This result confirms that the taste quality of a product (in our case an energy drink) is influenced not only by the brand, but also by the type of glass and the attractiveness of the way the product is presented (drink served). When the test subjects perceived the drink served in the wine glass as more attractive, it gained a different perception of properties, in our case better taste quality and higher energy value, but when the test subjects perceived a certain glass as something average or less valuable, this also reflected in the assessment of perceived taste quality and energy efficiency. When the glass was no longer a variable and the subjects rated the drink as such, with no additional influencing elements and relied only on their sense of taste, the ratings of taste quality and energy efficiency were assessed differently. However, when they were influenced by the brand, they chose according to how they perceived each brand and the results were again different.

Table 8: Comparison of tests # 1, # 2 and # 3.

Energy drink property	Test #1	Test #2	Test #3
best taste	S-Budget	Monster	Red Bull
worst taste	Monster	S-Budget	S-Budget
maximum efficiency	S-Budget	Monster	Monster
minimum efficiency	Red Bull	S-Budget	S-Budget

Source: Own survey.

Table 9: Blind recognition of energy drink brands - test # 4.

Energijska pijača	Correct recognition	False recognition
S-Budget	31%	69%
Monster	69%	31%
Red Bull	38%	62%

Source: Own survey.

Tests have shown that the same product (factory-packaged drinks were tested in all tests) is perceived differently each time, whether it is the influence of factors that are not directly related to the actual properties of the product (different glass and brand) or when testing without additional impacts.

Exclusively test # 2 showed an objective assessment of the respondents on the quality of taste and on the energy efficiency of the studied drinks. The results we obtained with the third test showed an actual picture of people's opinions about a particular brand of energy drinks tested.

In Test # 3, where test takers knew which drink was in which glass, testers identified S-Budget as a lower-end brand and expressed a negative opinion about its energy efficiency. This also influenced the opinion that it tastes the worst. In fact, people often perceive quality based on the price of a product, as consumers are mostly convinced that a lower price means a lower product quality and a higher one means better (DelVecchio, 2012). Similarly, researchers at the University of Texas, through field studies, experiments, and secondary data, found that consumers rely heavily on price as a starting point for quality assessment when choosing between different brands (University of Texas, Arlington, 2019). This suggests that the price of a product is not only a representative of the cost of preparing it for the market, but is an orientation that helps consumers judge the quality of products or brands and determine the expected level of satisfaction with use (Martins and Monroe, 1994; Brijball, 2003).

Test # 4, however, demonstrated the importance of distinctive taste in blindly identifying a particular brand. Interestingly, the Red Bull brand failed in this test (the test subjects mixed the Red Bull and S-Budget brands), which otherwise, as many studies and statements show, perceptually belongs to the very top of energy drinks. The Monster brand proved to be the best here.

DISCUSSION

Daniel Kahneman (2012, p. 30), winner of the Nobel Prize, wrote in his book *Thinking, fast and slow*: "He had an impression, but some of his impressions are illusions." A paraphrased quote would be, "He had a perception, but some of his perceptions were just guesses." Benny Rigaux-Bricmont quotes Cox, Jacoby, Olson, and Haddock (1982, p. 472): "From an information-theoretical perspective, product and brand perceptions are based on a set of characteristics (e.g., price, brand, packaging, color, etc.),

each of these, however, is the basis for developing the different impressions that the product creates in consumers. "These properties are not part of the physical product (Cox 1962 Jacoby, Olson, & Haddock 1971).

Participants' responses were largely due to their perception of what they were tasting. The research clearly showed how the perceptions of the respondents differ according to the presence or absence of non-physical characteristics. Although the questions were always the same in the first three tests, the answers of the respondents in each test were different. Since there was no association in test # 2 with the non-physical properties of the beverages tested, we can conclude that in this case, respondents attributed true and honest answers about taste quality and perceived energy efficiency. In test # 1, the shape of the glasses was the perceptual driver of the answers, and in test # 3, the perceptual driver was the brand. Test # 4 also showed that the taste recognition of the two brands of energy drinks (Red Bull brand and S-Budget brand) was weak (incorrect recognition from 62% to 69%). The recognition of the third (Monster brand) was the most convincing (69%).

CONCLUSION

The test results showed:

1. The quality of the service of the product has a significant impact on the perception and perception of the quality of the taste of the product and its effectiveness. This confirms H1, which reads: "Different levels of glass quality affect the perception of the quality of the taste of drinks and the energy efficiency of energy drinks."
2. Absence of any information about the product, on condition that all products are displayed and served in the same way, represents the consumer's objective assessment of the quality of the product and its energy efficiency. This confirms H2, which reads: "A comparison of a product without the influence of non-product elements reflects the true attitude towards the perceived quality of the product."
3. Where consumers know which brand of a particular product is located, then the assessment of its taste quality and energy efficiency is significantly influenced by the perceptual value of the brand. This also confirms the H3, which reads: "Perceived quality of the energy drink brand affects the quality of taste and its energy efficiency."
4. It is difficult for a consumer to recognize brands if there are no elements associated with it, thus partially confirming H4, which reads: "Blind recognition of a particular brand of energy drink when testers try them from the same glasses is weak."

SUMMARY OF FINDINGS

The effects of packaging and promotion on the taste experience have been a central theme of many studies, all conducted with the aim of discovering as many effective ways as possible to help market a product and create its desired perception. Most results confirm that the appearance of a particular food product affects expectations about what taste quality a consumer can expect (Del Castillo et al., 2013). Our research also confirms that (a) serving affects consumers' perceptions of the quality of taste and energy efficiency of energy drinks tested, and (b) that perceived brand perceptual value affects perceptions of the quality of taste and energy efficiency of energy drinks tested.

RECOMMENDATIONS FOR FUTURE RESEARCH

There are a number of other opportunities to explore how the non-physical properties of products affect taste perception. One option would be to taste the same drink in different types of glasses, and that respondents would not know that they are only trying one type of drink. The question would be: Which drink is the best?

Another option would be a test of the quality of taste and energy value, whereby for each tested beverage (regardless of the brand), the test subject would be informed about the composition of the product with all the stated information that is legally prescribed. The question would be: Which drink tastes the best and which is the most energy efficient?

The third option is to test the quality of pre-prepared food. Test subjects should be divided into two groups - the first group should not know that the food was packaged in plastic or paper packaging, and the second group should be aware of this fact. Food would be served attractively in both cases. Question: Will the perceived taste quality of the food served be the same in both groups?

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SECRETS OF SUCCESSFUL CROWDFUNDING CAMPAIGNS

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Abstract

Crowdfunding has broken the barriers between an aspiring entrepreneur and financial markets. Kickstarter, a leading crowdfunding platform, which works on the 'all-or-nothing' model, provides various facilities to the project owners to gather the funds from the contributors in return of a reward. The facts signify that most of the projects fail to reach the funding goal. This study sampled 200 successful projects randomly by quota sampling from each category to assess commonalities in the successful projects on Kickstarter. The study assessed the marketing appeals, video presentation, shipment facilities, and project owner details to check the commonalities among successful projects. The results revealed that although rational appeals generate more funding, however, emotional appeal is widely used in successful projects. The paper will be helpful for the fundraisers to know the recipe for a successful project and to funders to enhance their chance of exceeding the funding goals.

Key Words

Crowdfunding; Kickstarter; reward-based; appeals; emotional; rational.

INTRODUCTION

Crowdfunding has opened the doors of financing and investment for both sides of the market which were unable to access the traditional financial market. Crowdfunding is a process of raising funds through web-based application or website from a group of individuals and organizations for a business venture or start-up (Jenik et al., 2017). Typical crowdfunding is initiated by an entrepreneur seeking funds for a new project or venture from a general public known as crowd through internet platform (Kindler, Golosovsky, & Solomon, 2019). De Buysere et al. (2012) stated the four types of crowdfunding – Equity-based, loan-based, reward-based, and donation based. Dorfleitner et al. (2017) defined a donation-based crowdfunding platform like Crowdrise, in which investors participate or donate money in return of no financial or non-financial benefit or pay-off. Crowdfunding platforms like Kickstarter, IndieGoGo, and Zhongchou.cn, work on reward-basis where backers get product or service as a reward for backing a business or project (Baber, 2019a). Crowd investing or Equity crowdfunding like AngelCrunch is a type of crowdfunding where investors expect financial returns through equity shares (Vismara, 2018). Burtch et al. (2013) stated that loan-based or crowdlending like Zopa provides a platform that helps individuals and business firms to get a loan from a pool of people in return of a fixed interest rate. Donation-based crowdfunding is the only type where contributors do not expect anything in return (Baber, 2020b). Kickstarter is a leader in this industry and provides a platform to the project owners or fundraisers to showcase their business idea and pledge the amount from the funders in return of the reward mostly the product itself.

Keshari and Jain (2014) outline emotional appeal as “an attempt to stir up either negative or positive emotions that can motivate purchase”. Stafford and Day (1995) defined Rational appeal is an upfront demonstration of realistic and rational information, branded by fairness, objectivity, and utility. A products feature like quality, price, value, utility, and reliability forms the rationality appeal about a product (Johar and Sirgy, 1991). The two most important appeals and benefits a consumer perceived from advertising are functionality and emotional benefits (Shimp and Andrews, 2013). While persuading customers, marketers must decide between rational and emotional appeals (Holmes and Crocker 1987; Yoo and Macinnis 2005; Zhang et al. 2014). Powerful persuading message has to mix both features of rational and emotional elements (Almquist et al. 2018; Hong and Lee 2010).

As per the stats of Kickstarter, 173761 projects have been successfully funded while 63% of projects have not been funded successfully. This obvious that there are certain factors that are responsible for helping some projects to be funded successfully while the majority of projects remain unfunded. Various studies have been drawing our attention towards the probability of success for a project on a crowdfunding platform (Beier and Wagner, 2014; Liu et al., 2014; Zheng et al., 2014; Du and Wang, 2017). Some studies also examined the factors which are responsible for the

success of projects and target the crowded segment to participate in the project (Hui et al. 2012; Hui, et al. 2014; Gerber and Hui, 2013; Greenberg and Gerber, 2014; Harburg et al., 2015). Crowdfunding platforms like Kickstarter may work on the “All-or-nothing” model where funds are transferred to project owners only when the goal is achieved or the “Keep-it-all” model where funds are transferred to project owner respective of fund goal (Cumming et al., 2019; Baber 2020a). Kickstarter works on the “All-or-nothing” model of crowdfunding and Chemla, and Tinn (2019) claimed that “All-or-nothing” model schemes are more efficient than “keep-it-all” model, but also provides better feedback from the contributors. Mollick (2014) presented an interesting fact about successful projects. The study revealed that even successful projects which raised funds less than \$1000 were unable to fulfill the promise of delivering the rewards, though projects with less funding goals are likely to be successfully funded in the All-or-nothing model.

Yin et al. (2019) studied the degree of success in terms of funds for projects on Kickstarter and Zhongchou.cn (China) and found that frequent updates and two-way onsite communication play important role in the success of the project. The same findings are revealed by other studies (Gruner and Homburg, 2000; Coviello and Joseph, 2012; Xiao et al., 2014). Fisk et al. (2011) considered that onsite communication with the crowd which allows transparency, credibility, and feedback as one of the main factors of success for projects.

The topic about factors that are common in a successful project is worth exploring and see how a crowdfunding campaign’s physiognomies need to be stated and quantified so that a project is more likely to be successfully funded. The present study will explore the common factors which are responsible for taking a project to successfully funding line. The study will examine various factors like appeal in project description which involves text, image and video, length of vide and professionalism, delivery area, and project owner features.

LITERATURE REVIEW

There are 15 categories on Kickstarter to which projects are assigned depending upon the end product produced or delivered. The categories are Art, Comics, Crafts, Dance, Design, Fashion, Film & Video, Food, Games, Journalism, Music, Photography, Publishing, Technology, and Theater. Some categories are really attractive while some are dormant. For example, 67% of 4.22 billion dollars raised through the Kickstarter platform have been collected from technology, design, and gaming categories. Table 1 shows the statistics of projects in the various categories on Kickstarter.

Table 1: Project Category Statistics

Category	Launched Projects	Total Dollars	Successful Dollars	Unsuccessful Dollars	Live Dollars	Live Projects	Success Rate
All	470.308	4.70B	4.22B	457M	28M	3,062	37.47%

Games	49,276	\$1.16 B	\$1.07 B	\$79.67 M	\$8.58 M	399	39.88 %
Design	39,574	\$1.06 B	\$968.02 M	\$84.85 M	\$6.78 M	343	37.97 %
Technology	41,017	\$890.55 M	\$779.42 M	\$102.98 M	\$8.14 M	416	20.62 %
Film & Video	73,363	\$461.11 M	\$392.45 M	\$67.73 M	\$927.82 K	298	37.62 %
Music	61,393	\$243.29 M	\$222.64 M	\$20.06 M	\$590.29 K	264	50 %
Fashion	30,450	\$181.65 M	\$159.58 M	\$21.43 M	\$636.30 K	246	27.65 %
Publishing	48,509	\$173.92 M	\$152.97 M	\$20.24 M	\$717.27 K	321	32.94 %
Food	29,323	\$158.62 M	\$133.97 M	\$23.85 M	\$800.30 K	173	25.28 %
Art	36,996	\$123.23 M	\$110.16 M	\$12.56 M	\$510.53 K	293	43.74 %
Comics	15,247	\$105.04 M	\$98.39 M	\$6.32 M	\$328.38 K	118	58.57 %
Photography	12,181	\$47.58 M	\$41.81 M	\$5.64 M	\$135.15 K	42	32.06 %
Theater	12,138	\$46.44 M	\$41.69 M	\$4.71 M	\$46,492	26	60.05 %
Crafts	11,012	\$19.23 M	\$15.84 M	\$3.29 M	\$107.60 K	78	24.86 %
Journalism	5,618	\$17.45 M	\$15.14 M	\$2.20 M	\$101.81 K	30	22.57 %
Dance	4,211	\$14.65 M	\$13.62 M	\$1.00 M	\$31,093	15	61.92 %

Source: Kickstarter- on Mon, December 16 2019 12:46 PM UTC +09:00.

Crowdfunding platforms allow project owners to share all project-related details which can lead to successful project funding; this includes textual descriptions, pictures, graphical illustrations, and posting videos (Koch and Siering, 2019). These signals or information help contributors to decide which project to support. These signals also reduce the uncertainty in the minds of contributors about the project and product.

Panda, Panda, and Mishra (2013) claimed that emotional advertising appeals are mostly used for the product categories, where it is hard to logically demonstrate the benefits of the product. Rational appeals are used to persuade consumers primarily through fact-based messages and influences (Wang et al., 2016). Emotional appeals are more significant for hedonic products, while rational appeals are more significant for utilitarian products (Armstrong, 2010; Lantos, 2015). Hedonic consumption reveals multi-sensory, fantasy, and emotive aspects of consumer experience, whereas utilitarian consumption emphasizes functional value (Jiang & Wang, 2006). Hedonic services advertisement makes consumers go through emotional calls such as enjoyment and liveliness (e.g., amusement park). Utilitarian services, on the other hand, provide consumers with functional benefits or solve practical problems (e.g., toothpaste for whitening teeth) (Andreu et al., 2015). Some authors stated that services use emotional appeal to attract their audience (Cutler and Javalgi, 1993; Abernethy and Gray, 1997; Mattila, 1999) while others suggest that rational appeals hold more relevance in the case of the service industry (Grove et al., 1995). Xiang et al. (2019) studied the kaishiba.com crowdfunding platform in China and divided backers into two types-consumers and investors. Consumers back projects in expectation of rewards such as products while investors seek financial returns. An emotional appeal has more influence on consumers than on investors.

In the context of Crowdfunding and advertising online, different emotional and rational appeals are shown in Table 2, which has been taken and modified from the study of Khanna (2016).

Table 2: Advertising appeals

#	Rational Appeals	Emotional Appeals
1	Product Feature Appeals	Fun/ Happiness
2	Economy & Savings	Humour
3	Newness	Nostalgia
4	Contest /Premium or product tie in	Scenic Beauty
5	Safety Appeals	Fear Appeals
6	Health/ Nutrition	Sport or Physical Performance Action and Adventure
7	Having natural, organic, food and clothing	Physical attractiveness/ beauty/Gender
8	Energy	Sex appeals
9	Environmental friendly	Guilt appeals

Source: Kanna (2016).

Chen et al. (2016) found that guilt appeals and emotional message, in general, have a positive impact on the successful funding goal in crowdfunding. This study will assess the impact of the emotional and rational appeal of the product on the successful completion of reaching a pledged amount in crowdfunding. Koch and Siering (2019) stated that Emotional appeal in crowdfunding signals has a positive impact on successful project funding, however high funding goals create less likelihood of success.

Q1: What impact emotional and rational appeal has on the success of camping?

Q2: Which appeal has more chances to successfully complete the campaign?

Q3: What impact appeals have in different product categories?

Various studies have confirmed the influence of video on the success of the project (Barbi and Bigelli, 2017; Colombo, Franzoni and Rossi-Lamastra 2015; Cordova, Dolci, and Gianfrate, 2015; Koch and Siering, 2019; Xiao et al., 2014; Zvilichovsky, Inbar, and Barzilay, 2013). The professionalism of video and art of writing will have an impact on the effectiveness of the marketing campaign of the product on the crowdfunding platform but suggested that the length of video and pitch has a negative relation with funding goals (Chen et al., 2016). Swaminathan and Kent (2013) stated that the length of the commercial influences effective product promotion.

Q4: Does the length of the video showing features of the product have an impact on the success of the campaign?

Q5: Does the quality of the video showing features of the product have an impact on the success of the campaign?

The shipment of the product will be crucial when crowdfunding is done in reward-based products. Kickstarter is a reward-based crowdfunding platform, so people will be attracted more to the products which are shipped worldwide. It is important to check the impact of the delivery area or region on the successful completion of reaching pledged amount in crowdfunding. Products that will be shipped worldwide have more tendencies to attract more funders than products getting shipped to a specific area.

Q6: Do the shipment of the product influences the success of the campaign?

Some researchers found that customers who are good-looking and trustworthy can obtain a loan easily and on lower interest rates (Ravina, 2008). Female customers are likely to obtain loan faster (Pope and Sydnor, 2011). Organizations that have a good reputation and past record may also receive funding over their pledged amount. The Owner may be a single person (Male or female) or a big organization, however, most of the projects are owned by small businesses and start-ups by few individuals (Mollick and Kuppuswamy, 2014).

Q7: Does project owner credibility influences the success of the campaign?

METHODOLOGY

Projects were analyzed from one of the largest crowdfunding platforms, Kickstarter from July 2019-January 2020. There were 3,916 projects live on Kickstarter during this period and 200 sample projects were selected randomly by quota sampling for each category as shown in table 3. The quota of samples in each category was determined on the percentage of live projects in each category. For example, there were 399 projects live in the 'game' category which constitutes approximately 15% of total live projects. The quota of the 'game' category was determined by 200 samples which are 30 projects. These 30 projects were selected randomly out of the successful project population. Only those projects were eligible to be analyzed which has already achieved the target funding goal. A similar methodology was used by the study of Chen et al. (2016). The following details were taken from successful projects- Funds pledged and funding goal achieved so far. The percentage of funding goal achieved was calculated. The number of backers was also recorded to analyze the average number of backers in each category. Each project was analyzed to assess the persuasion message from project owners- rational (1) and emotional (2). The length of the video which explains the features of the project was recorded in each project. Some projects were without video which is also analyzed to check its relationship with funding goals. The professionalism of video was assessed on a scale of 1 to 5, where 1 is "poor" and 5 is "excellent". The facility of delivery was recorded and coded

1 for “anywhere in the world” and 2 for “only to certain countries”. The project owners were recorded as 1 for “male”, 2 for “female” and 3 for “organizations or start-up”. The data was analyzed through various statistical tools using SPSS 25.0.

ANALYSIS AND DISCUSSION

Rational appeals are more effective in generating funds than emotional appeals nevertheless emotional appeals are more often used by the projects. Projects which are using rational appeal are able to generate more funds and a higher percentage of funding goals. The rational appeals are able to generate twice the funded amount and 4 times more percentage of funding goal than emotional appeal as in Table 3, which is contradicting the results of Xiang et al. (2019). In projects with rational appeals backers on an average contribute more funds than in emotional appeal. The rationality in an appeal is not so often in projects so the backers may get more influenced by the projects which use such appeal as it brings more logic and reasoning for the contribution. Projects with rational appeal have more chances to be successful and get a higher percentage of the funding goal. In different categories, appeals have varying impacts. In Comics, dance, craft, games, music, journalism, and theatre, there are no rational appeals as shown in Table 4. These all categories produce intangible products that are more related to the emotions rather than benefits so emotional appeal works better. Even in categories like arts and film & video, the number of rational appeals are less and also not as effective as emotional appeals. In the design category, we have the same number of projects with both appeals however rational appeals are able to get more funding than emotional appeal. In the photography category where usually projects are less, one project is able to generate 2000% more funding with the rational appeal, which is quite astonishing. In the Technology category, which is regarded as a hot category, rational appeal generates more funds than emotional appeal. Technologies products often need to be reasoned before buying and are evaluated with the options available; hence innovation in the technology products makes it more susceptible to a rational appeal. Thus, it is clear from the data that rational appeal can help in generating higher funds than pledged but most of the projects in all categories except Design and Technology use emotional appeal to get funds.

Table 3: Appeal statistics

Appeal	Amount Funded (Mean)	Percentage of funding goal achieved (Mean)	Average amount funded by backer (in dollars)
Rational	\$103890.45	1316%	143.14
Emotional	\$44135.98	386%	72.34
Total	\$58775.83	614%	89.68

Source: Own survey.

Table 4: Category and Appeal Cross tabulation

Category	Rational Appeal		Emotional Appeal		Total
	Percentage of funding goal achieved (Mean)	No. of projects	No. of projects	Percentage of funding goal achieved (Mean)	
Art	294%	2	19	484%	21
Comics	0%	0	11	214%	11
Crafts	0%	0	5	159%	5
Dance	0%	0	2	103%	2
Design	3272%	11	11	1857%	22
Fashion	172%	6	9	436%	15
Film & Video	102%	1	17	182%	18
Food	181%	5	6	107%	11
Games	0%	0	30	461%	30
Journalism	0%	0	1	198%	1
Music	0%	0	16	783%	16
Photography	2000%	1	2	110%	3
Publishing	122%	9	11	207%	20
Technology	1627%	14	9	454%	23
Theater	0%	0	2	111%	2
Total	1316%	49	151	387%	200

Source: Own survey.

The average length of video provides the details of how much length of a video should be to attract the audience and probably achieve a 100% funding goal. The categories like Journalism, Music, and Dance should have a video length of more than 3 min to describe the features of the product as shown in Table 5. Some categories like Art, Crafts, and fashion can use video of around 1 min to persuade the backer. On average, a video length of the project to be successful should be around 2 min. The important observation here was about the projects with no video. Some may take it as a risk of not having a video to showcase the characteristic of the product when the facility is available from the platform. Quality of video was analyzed for each project in terms of the resolution, clarity of message, grabbing the attention of the viewer, raising interest and desire, and ultimately leading to back the project.

During the analysis as shown in Table 6, projects with 'no video' have done better than the videos with 'poor' and 'average quality'. Projects with 'no video' are able to generate 351% of funding goal when a rational appeal is used while 403% when an emotional appeal is used to convey the message. In totality, projects with "no video" are able to get a 397% funding goal which is almost double than the projects with 'poor' and 'average quality' video. The average amount funded by the backer is also better than the 'poor' and 'average quality' video. Hence, it is better not to use video if the project owner is not able to produce a good quality video which will reflect all the features of the product either through rational or emotional message. There is an increase in the percentage of funding goals achieved an average amount funded by the backer as the quality of video improves. The excellent quality videos are not able to generate more funding goals, maybe due to a lack of rational messages. However, the average amount funded by the backer for excellent quality videos is significantly highest.

Table 5: Average video length

Category	Video length (mm:ss)
Art	0:37
Comics	1:19
Crafts	0:56
Dance	3:09
Design	2:11
Fashion	1:06
Film & Video	2:21
Food	1:59
Games	2:50
Journalism	4:10
Music	3:23
Photography	2:04
Publishing	2:13
Technology	2:32
Theater	1:44
Total	2:07

Source: Own survey.

Table 6: Video Quality and Appeal Cross tabulation

	Rational	Emotional	Total	Average amount funded by backer (in \$)
No video	351%	403%	397%	72
Poor	131%	307%	207%	59
Average	224%	204%	206%	61
Above average	2031%	352%	912%	116
Good	1338%	1821%	1516%	135
Excellent	0%	653%	653%	143
Total	1316%	387%	615%	90

Source: Own survey.

The products which are ‘shipped anywhere in the world’ generate higher funding goal percentage and almost 3 times more than the products which are shipped to the specific countries as shown in Table 7. In every category except Theatre, the trend is the same and even in some categories like Technology, Music and Design; ‘shipping anywhere in the world’ is able to get almost 8 times more than to the ‘specific countries’.

Table 7: Shipment Details

Category	Anywhere in the world		Specific countries only		Total
	No. of projects	Percentage of funding goal achieved (Mean)	No. of projects	Percentage of funding goal achieved (Mean)	
Art	21	466%	0	0%	21
Comics	10	224%	1	111%	11
Crafts	4	167%	1	128%	5
Dance	2	103%	0	0%	2
Design	15	2590%	7	285%	22
Fashion	12	371%	3	168%	15
Film & Video	13	184%	5	158%	18
Food	10	144%	1	114%	11
Games	29	467%	1	282%	30

Journalism	1	198%	0	0%	1
Music	12	995%	4	148%	16
Photography	3	740%	0	0%	3
Publishing	16	180%	4	123%	20
Technology	22	1212%	1	199%	23
Theater	1	104%	1	118%	2
Total	171	688%	29	184%	200

Source: Own survey.

Project owner demographics and background do influence the backers while contributing to a project. There are more male project owners than the female which opens the scope of study in the area of the gender gap in crowdfunding. However, female project owners are able to generate more percentage of funding goals than males. The average backing amount for the male is slightly higher than females. The results were checked by the independent sample t-test as these were contradicting the results of Barasinska and Schäfer (2014). There was a significant difference between male and female owners for the Percentage of funding goal achieved (F:0.047, P:0.829) and Average amount funded by backer (F:2.166, P:0.144). This finding conforms to the results of Lin and Pursiainen (2018) which studied gender difference on the Kickstarter platform. This finding Organizations or start-ups are successful in generating a higher percentage of funding goals as well higher average funding amount from the backers. The backers find start-ups or organizations which may be even run by one or two people more credible and reliable. More female project owners place their product in Arts and Fashion but no female fundraiser has been recorded in the Technology category.

Table 8: Project Owner Details

Category	Male			Female			Organization		
	No. of projects	Percentage of funding goal achieved (Mean)	Average amount funded by backer (in \$)	No. of projects	Percentage of funding goal achieved (Mean)	Average amount funded by backer (in \$)	No. of projects	Percentage of funding goal achieved (Mean)	Average amount funded by backer (in \$)
Art	4	421%	\$43	15	500%	\$46	2	304%	\$67
Comics	5	140%	\$30	2	392%	\$52	4	218%	\$54
Crafts	2	183%	\$64	1	128%	\$84	2	151%	\$100
Dance	0	0%	\$0	1	105%	\$35	1	100%	\$82
Design	7	591%	\$74	1	104%	\$50	14	2615%	\$94
Fashion	2	166%	\$124	6	388%	\$30	7	327%	\$133
Film & Video	11	180%	\$75	6	184%	\$84	1	112%	\$133
Food	5	111%	\$68	2	109%	\$113	4	195%	\$91
Games	11	290%	\$56	3	339%	\$28	16	601%	\$65
Journalism	1	198%	\$58	0	0%	\$0	0	0%	\$0
Music	5	156%	\$56	4	112%	\$60	7	1614%	\$74
Photography	2	110%	\$40	0	0%	\$0	1	2000%	\$390
Publishing	11	197%	\$171	7	137%	\$109	2	123%	\$29
Technology	4	925%	\$231	0	0%	\$0	19	1219%	\$171
Theater	1	104%	\$41	1	118%	\$50	0	0%	\$0
Total	71	283%	\$88	49	302%	\$62	80	1100%	\$108

Source: Own survey.

To sum up the secrets of successful crowdfunding campaigns, it is found that rational appeals are able to generate more funding percentage though more projects use emotional messages. It is better to post a good quality

video of appropriate length or nothing at all rather than poor quality video in terms of resolution, clarity of message about product features and characteristics. Project owners should always prefer to give ‘anywhere in the world’ shipping facility rather than to specific countries. Project owners should create their start-ups or organization to build trust and credibility in the minds of backers rather than posting the fundraising individually either male or female. However, females are able to generate more funding percentage but the average funding amount from backers is less. More female fundraisers would be encouraged to raise funds even there should be a crowdfunding platform for females specifically. The platform will raise money from females to support the projects which are related to women by the female fundraisers. The platform may be able to tap the niche market segment of female fundraisers and funders. Table 9 provides the overall picture of the 200 projects studied from the Kickstarter platform which will help project owners and funders to come up with a business idea that has maximum chances of being highly funded on the crowdfunding platform.

Table 9: An overall analysis of categories

Category	Number	Amount Funded (in \$)	Amount Pledged (in \$)	Funding Percentage	Average amount funded by backer (in \$)
Art	21	\$9508	\$3025	466%	\$48
Comics	11	\$14783	\$9023	214%	\$43
Crafts	5	\$5054	\$3086	159%	\$82
Dance	2	\$2834	\$2821	103%	\$58
Design	22	\$77161	\$21904	1857%	\$86
Fashion	15	\$9311	\$5677	330%	\$91
Film & Video	18	\$10212	\$5670	177%	\$82
Food	11	\$20528	\$8546	141%	\$85
Games	30	\$119386	\$23088	461%	\$58
Journalism	1	\$992	\$500	198%	\$58
Music	16	\$9049	\$7110	783%	\$65
Photography	3	\$201326	\$11239	740%	\$157
Publishing	20	\$11506	\$7428	169%	\$135
Technology	23	\$197742	\$23363	1168%	\$182
Theatre	2	\$2809	\$2564	111%	\$45
Total	200	\$58776	\$12393	615%	\$90

Source: Own survey.

FUTURE RESEARCH AND IMPLICATIONS

Future research should be done on the side of the platform and analyze the factors which encourage contributors to decide whether to fund or not. The gender difference in the contributions side has to be explored also. Though studies have found that female investors are risk-averse and prefer in young and high tech firms (Mohammadi and Shafi, 2018). However, these studies were conducted in a specific geographic location. Several studies were focused on gender and crowdfunding (Barasinska and Schäfer, 2014; Radford, 2016; Geiger and Oranburg, 2018; Lin and Pursiainen, 2018). The results are mixed so there is a need for extensive research in the area of the gender gap on both sides-entrepreneur and crowd.

CONCLUSION

The paper was aimed to reveal the secrets of projects which are successfully funded on the crowdfunding platform Kickstarter. The study analyzed various parameters and aspects of the projects in all 15 categories available on the platform website. The study revealed that rational appeal which focuses on logic and reasoning helps to get a higher percentage of funds than pledged. An emotional appeal that targets the backers emotionally is used often by the projects. The project which will present the logic, rationality, fairness, objectivity, and utility of the product will have more chances to get a higher percentage of funds pledged. Video showing the features of the product should be clear, convey the message either rational or emotional clarity, professional, and lead to contribution. However, no video is also a good option which can be helpful if project owners are not able to design good presentable videos. Worldwide Shipment makes the project more attractive than to specific countries. Female fundraisers are able to get higher funding percentages than males though start-ups and organizations are more trusted than individuals. The study will be helpful for the fundraisers to know the commonalities of successful crowdfunding projects and design their business idea on the platform accordingly. Perhaps a mixture of all these ingredients may not guarantee success but it is better to follow success stories rather following the majority which are failures in crowdfunding campaigns.

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ACCEPTABILITY OF NLP METHODS IN BUSINESS COMMUNICATION FROM THE ASPECT OF THE EMPLOYEES

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Abstract

Neurolinguistic programming (NLP) is a communication methodology used in a business environment with the goal to improve the potential of employees. The paper presents scientific study which included employees in the Republic of Croatia and their attitudes towards the acceptability of the methods of neurolinguistic programming in business. An online questionnaire was constructed for the purpose of the research. The research had the goal to find answers whether respondents in Croatia find NLP method acceptable for use in business environment and what the differences in their opinion according to their personality, familiarity with the NLP topic, level of education and depending on how long they have been employed. Employees show willingness to adopt new work techniques to improve their work efficiency. Even though the trend analysis of the results indicates there are some possible differences between the respondents based on stated factors, the research involved smaller and uneven group of respondents.

Key Words

NLP; communication tools; business communication; quality business communication system.

INTRODUCTION

The communication system consists of various aspects (exchange and processing of information, transmission of a message, contact with business partners and the like) without which an organization could not function (Jurković, 2012). One of the priorities of a business man is to get empowered to communicate in order to achieve business success. Business communication has in the past been relied to the knowledge, specially of NLP, the method of successful business (Vodopija, 2006). Neurolinguistic programming (acronym NLP) is a communication model that aims to identify and use patterns in the thinking process as the means of improving the quality and effectiveness of communication. It is focused on achieving goals, creating better interpersonal relationships, removing barriers, building self confidence and acting more effectively. It is used in various fields of occupation (business, education, law, medicine and psychotherapy) to identify human patterns and to influence change in responses to stimuli. Neurolinguistic programming can be used in sales, customer service, negotiation, conflict resolution, presentations, teamwork, as well as motivating others (Parvizi, 2015). NLP methods are used to influence work efficiency, success in conflict resolution and communication productivity. They serve to improve negotiation and sales skills. In the United States, NLP is a widespread methodology, with remarkable results in achieving better communication and better interpersonal relationships. Research into the theory of neurolinguistic programming finds a large number of methods that facilitate communication in the business environment, all with the aim of avoiding conflicting stressful situations and achieving better business results. NLP methods are effectively used in various areas of human activity, including team communication, client communication (sales, marketing, public relations), mediation, and facilitating and enhancing communication in conflict resolution at work.

NEUROLINGUISTIC PROGRAMMING IN BUSINESS COMMUNICATION

NLP is a practical discipline that encompasses a range of models, techniques and skills to think and act effectively. It studies how people achieve success in a wide variety of areas (the modelling process) and teaches people these patterns. The patterns, skills and techniques thus obtained are increasingly used in education and business in the pursuit of accelerated learning, personal development and more successful communication (O'Connor and Seymour, 2009). NLP has gained immense popularity over the last 25 years. Trainings were conducted at companies such as Hewlett-Packar, IBM, McDonald's, NASA, the United States Army, the U.S. Olympic Team, and numerous public school systems (Singer and Lalich, 1996 according to Witkowski, 2011). NLP methods are used to influence work efficiency, success in conflict resolution, and communication productivity. In business communication, it is commonly used for

negotiation purposes. Recognizing the collaborative representation system of the people we work with, can be very valuable in achieving positive results when discussing some decisions, building teams or even selling (Dilts and Dilts, 1983). One of the key applications of NLP methods in organizational settings is to effectively set goals and strategies for maximizing results (McDermott and Jago, 2007).

NLP METHODS

One of the methods of NLP is the Dickens Pattern, based on the work of Tony Robbins. It was named because it models Ebenezer Scrooge's experience in the Charles Dickens novel *Christmas Story* from 1843. The form aims to take control over life, changing limiting beliefs (Ellerton, 2013). Bandler (2012) calls this method a belief modification method or a pattern of belief replacement. It helps to change one's beliefs and gain more faith in oneself. Anchoring is a process in which a particular stimulus connects to a specific physiological or emotional state. The stimulus of associating with the desired state is called the anchor. Anchoring was created as a result of research by Russian physiologist Pavlov, a pioneer of behaviorism. Anchoring happens unknowingly, but it can also be developed intentionally (consciously). An anchor can be anything that causes an automatic reaction or causes an emotional state, for example, the sound of a familiar melody can elicit a smile on your face or trigger some strong negative feeling (Mladenović and Vrsaljko, 2009). NLP defines an anchor as a process that connects a sensory stimulus to a particular state of mind (Vodopija, 2006). This method can be used to change internal states, stabilize states, move elements of one experience into another, and change behavior. Using one's own states is one of the most effective ways of changing own behavior, as well as the behavior of others (Mladenovic and Vrsaljko, 2009). John Grinder and Richard Bandler developed the technique of visual-kinesthetic (V-K) dissociation in 1976. It is a method that addresses trauma and helps people cope with the stressful and painful experiences that have the consequences of limiting them in reaching their goals. The goal is to disconnect from feelings and create the experience of being outside your own body. This ability can help a person to distance themselves psychologically from stressful, painful, or traumatic experiences and become able to respond differently in similar situations. This technique can help people who have problems with presenting, running a meeting, communicating with a team (Mladenovic and Vrsaljko, 2009). Walt Disney's strategy is another NLP tool developed by Robert Dilts. It was named after American producer Walt Disney. It is a dream development strategy that enables them to come true. It is based on taking on three different roles involved in the process of turning creative ideas into reality - the dreamer, the realist and the critic. Dilts found that if they take on these roles in turn, people develop their ideas and plans faster and more effectively. Although this method is primarily used in business, it allows for the introduction of

creativity into the work of the team (MacDermott and Jago, 2007). Taking a different observation position can be a very easy way of predicting other people's potential reactions and deciding what to say or do. It is useful for meetings. The essence of this method is to get into all three observation positions (I, the other, the observer) in order to gather as much information from as many points of view as possible (Terry and Churches, 2011). Molden and Hutchinson (2008) call this method a positioning technique for perception, and Mladenovic and Vrsaljko (2009) a technique for changing perceptual positions.

METHODOLOGY

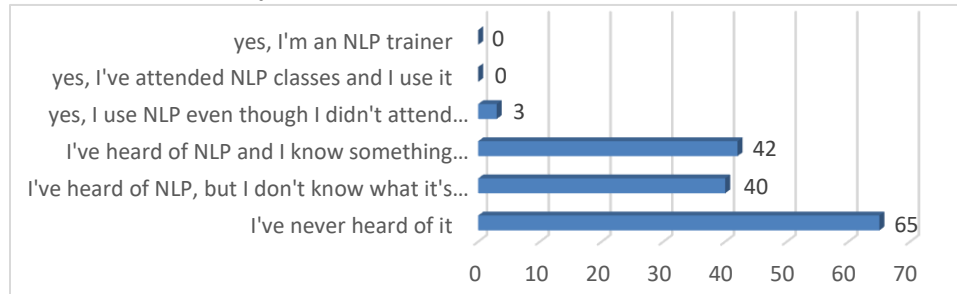
The aim of the research was to determine the attitudes of employees in the Republic of Croatia on the suitability of NLP methods in business communication and to analyze, according to the results obtained, whether the attitude of the respondents to the NLP is correlated to their personality (extrovert/introvert), familiarity with NLP, their level of education and the length of their employment. Accordingly, the hypotheses were stated: ' Respondents in Croatia find NLP method acceptable for use in business environment.'; 'Extroverted respondents are more inclined to accept NLP methods.'; 'Attitude towards the suitability of these methods depend on whether the respondents had previous information about NLP.'; 'Respondents with higher level of education are more inclined to accept NLP methods.' and 'Attitudes towards the suitability of NLP methods depend on how long have the respondents been employed'.

The survey involved 150 persons employed in the Republic of Croatia, 77 women (51.3%) and 73 men (48.7%). There are 111 (74%) of respondents that have completed higher education and 39 (26%) secondary education. There are 72% of respondents working in the public sector and 28% in the private sector. Out of all respondents, 24 (15.4%) have been employed for less than 5 years, 54 (34.6%) have been employed for 5 to 15 years, 43 (27.6%) have been employed for 16 to 25 years, 23 (14.7%) have been employed for 26 to 35 years, while only 6 (3.8%) have been employed for over 36 years. Most respondents, 100 (66.7%), see themselves as extroverted persons, while 50 (33.3%) feel that they are more introverted.

RESULTS

The respondents expressed their views and opinions by selecting one possible answer to the closed-ended questions. Most respondents are not familiar with NLP, 65 of them (43.3%) have never heard of NLP, 40 (26.7%) have heard, but do not know exactly what it is about, 42 (28%) know a little, and 3 (2%) are already using NLP, even though they did not attend NLP training. Of all 150 respondents, none attended NLP training and none of them were NLP trainers.

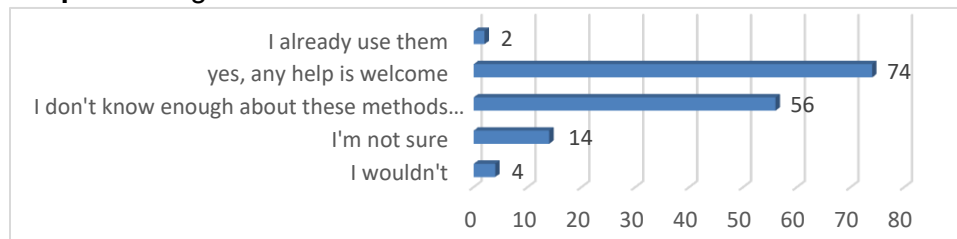
Graph 1: Familiarity with NLP



Source: Own survey.

When asked about possibility of using NLP methods with the aim of achieving more effective communication and better business results, the majority of respondents, 74 (49.3%), think that any help is welcome, 56 (37.3%) did not know enough about these methods to answer, 14 of them (9.3%) were not sure if they would use NLP methods, while 4 (2.7%) would by no means use NLP methods. Only 2 (1.3%) are already using NLP methods.

Graph 2: Usage of NLP methods in business communication

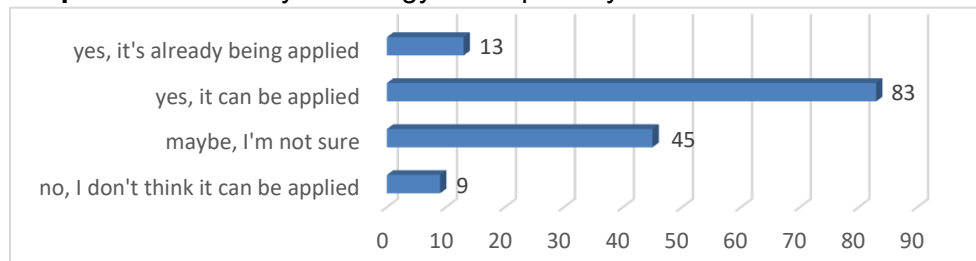


Source: Own survey.

One of the first methods of NLP explained in the survey is the Dickens Patter. When asked if they thought this method would be acceptable for use, 86 respondents (57.3%) said they could use it, 45 respondents (30%) already used it but did not know it was NLP, while 19 (12.7%) felt that this method would not help them. There are 87.3% of respondents who have a positive attitude towards this method thinking that they could use it or already use it, and only 12.7% think that it would not help them, meaning that this method is not acceptable for use.

When asked about acceptability of Walt Disney's strategy used in business to bring creativity to the team which involves taking on three different roles involved in the process of turning creative ideas into reality - dreamer, realist and critic, most respondents, 83 of them (55.3%) think it could be applied, 45 (30%) are not sure and think it might be applicable, 13 (8.7%) say they already apply it, and 9 (6%) think it could not be applied. Most respondents, 64% of them, have a positive attitude towards the acceptability of this method in business communication, 30% are not sure that they can apply it, and only 6% have a negative attitude, i.e. they think that it could not be applied.

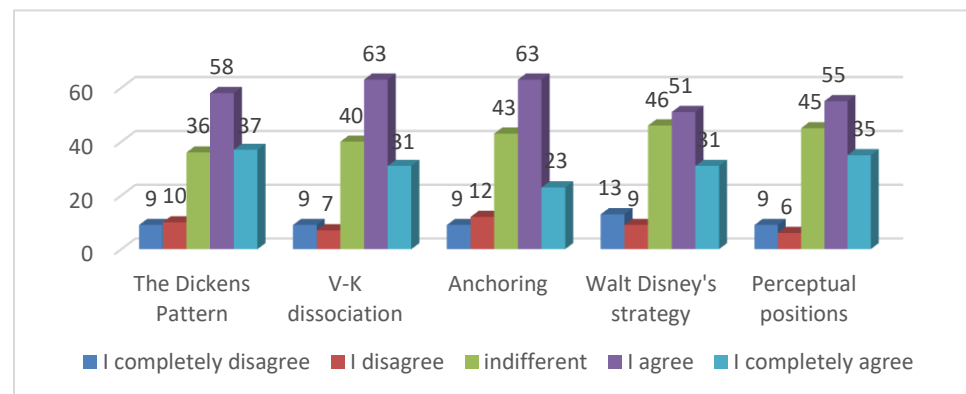
Graph 3: Walt Disney's Strategy - acceptability in business



Source: Own survey.

After being acquainted with the five methods of NLP, the respondents rated their views on their applicability in business communication using a five degree Likert scale, with a value of 1 indicating complete disagreement and a value of 5 fully agreeing with the statement. Respondents gave a mean score of 3.7 (agreement) for the Dickens Pattern, V-K dissociation, and Technique for changing perceptual positions, and 3.5 for Anchoring and Walt Disney's strategy. A total score of 3.62 indicates that respondents considered all five NLP methods to be acceptable.

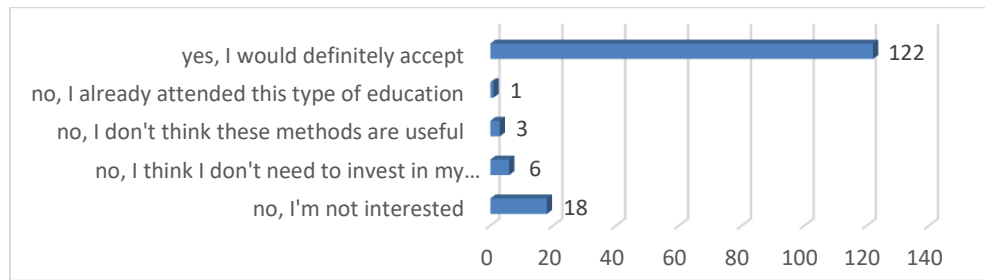
Graph 4: Applicability of NLP methods in business communication



Source: Own survey.

In order to gain insight into the respondents' interest in improving business communication using NLP methods, they were asked about accepting free provided training. Most respondents, 122 (81.3%) would certainly accept education, 18 (12%) are not interested, 6 (4%) do not think they need to invest in their communication skills, 3 (2%) do not believe that these methods are useful, and 1 respondent (0.7%) has already attended such training.

Graph 5: Acceptance of free NLP education



Source: Own survey.

Table 1 shows the relationship between respondents' personality (extrovert/introvert) and their response to the acceptability of using the Dickens Pattern in business. Most respondents, introverts and extroverts, consider this method acceptable for use.

Table 1: Attitude on acceptability of the Dickens Pattern in business

PERSONALITY OF RESPONDENTS	Do you think this method would be something you could use?			Σ
	yes, I think I could use it	Yes, I'm already using this method, but I didn't know it was NLP	No, I don't think it would help	
introvert	29	15	6	50
extrovert	57	30	13	100
Σ	86	45	19	150

Source: Own survey.

The relationship between respondents' personality and answers to the question about the acceptability of Walt Disney's strategy in business is shown in Table 2. Most respondents from both groups considered that this method could be applied in their business.

Table 2: Attitude on acceptability of the Walt Disney strategy in business

PERSONALITY OF RESPONDENTS	Do you think this method could be applied to your business?				Σ
	Yes, it can be applied	Yes, it's already being applied	Maybe, i'm not sure	No, i don't think it can be applied	
introvert	27	5	13	5	50
extrovert	56	8	32	4	100
Σ	83	13	45	9	150

Source: Own survey.

The results in Table 3 indicate that, whether introverted or extroverted, respondents agree that all five NLP methods could be applied in business.

Table 3: Attitude on acceptability of NLP methods

	STATEMENT	THE DICKENS PATTERN	V-K DISSOCIATION	ANCHORING	WALT DISNEY'S STRATEGY	PERCEPTUAL POSITIONS	Σ
INTROVERT	I completely agree	12	11	9	10	10	52
	I agree	26	23	25	17	17	108
	indifferent	10	13	12	16	20	71
	I disagree	0	2	2	3	1	8
	I completely disagree	2	1	2	4	2	11
EXTROVERT	I completely agree	25	20	14	21	25	105
	I agree	32	40	38	34	38	182
	indifferent	26	27	31	30	25	139
	I disagree	10	5	10	6	5	36
	I completely disagree	7	8	7	9	7	38

Source: Own survey.

Table 4 shows the relationship between respondents' self-assessed personality type and answers to the question about accepting a free NLP education. The majority of respondents from both groups would accept free NLP education, while only a few found these methods to be of no use and did not need to invest in their communication skills. There are 10% of extroverted and 6.25% of introverted respondents stating that they are not interested in education.

Table 4: Acceptance of free NLP education

PERSONALITY OF RESPONDENTS	If your employer ensured free NLP education, would you accept it?					Σ
	Yes, I would definitely accept	No, I don't think these methods are useful	No, I'm not interested	No, I think I don't need to invest in my communication skills	No, I already attended this type of education	
introvert	38	1	8	3	0	50
extrovert	84	2	10	3	1	100
Σ	122	3	18	6	1	150

Source: Own survey.

The existence of a correlation between the two variables was checked by chi-square test using the frequencies of occurrence of a single response in relation to the extroverted/introverted respondents. Table 5 shows the values of the calculated chi-square tests based on the data presented in Tables 1 (the Dickens Pattern), 2 (Walt Disney's strategy) and 3 (acceptance of free NLP education). Given that the results of the chi-square test show that all χ^2 are smaller than the readings, the conclusion is that respondents who consider themselves extroverted do not differ significantly from those who consider themselves to be more introverted in their propensity to adopt NLP methods.

Table 5: Correlation of respondents' personalities and attitudes about applicability of NLP methods

FREQUENCY OF ANSWERS	THE DICKENS PATTERN (TABLE 1.)	WALT DISNEY'S STRATEGY (TABLE 2.)	ACCEPTANCE OF NLP EDUCATION (TABLE 3.)
CHI-SQUARE:	0,032	2,578	2,512
DEGREES OF	2	3	4

FREEDOM (DF):			
SIGNIFICANCE LEVEL P:	0,984	0,461	0,643
LIMIT VALUE:	0,05	2,37	3,36
STATUS:	Ok.	At least 20% of expected frequencies are less than 5.	At least one expected frequency is less than 1.
YATES CORRECTION:	-	1,361	1,423
YATES P:	-	0,715	0,840
HYPOTHESIS:	0,031 < 0,05	1,361 < 2,37	1,423 < 3,36

Source: Own survey.

The relationship between respondents' familiarity with NLP and responses regarding the acceptability of using NLP methods to achieve more effective communication and better business results is shown in Table 6. The majority of respondents, 71.4% of them, who are already familiar with NLP believe that any help is welcome, while 24% think they cannot answer the question because they do not know enough about these methods. Most of those who have heard about NLP but do not know exactly what it is about cannot answer the question about the acceptability of using methods because they do not know enough about these methods. Of those who have never heard of NLP, there are 43.1% who think that any help is welcome and 41.5% cannot respond because they do not know enough about these methods.

Table 6: Attitude on applicability of NLP methods

Familiarity with NLP	Would you use NLP methods if you knew they'd help you in achieving a more efficient communication and better business results?					Σ
	Yes, any help is welcome	I wouldn't	I don't know enough about these methods to answer	I'm not sure	I already use them	
I've heard of NLP and I know something about it	30	1	10	1	-	42
I've heard of NLP, but I don't know what it's about	15	1	19	5	-	40
yes, I use NLP even though I didn't attend NLP classes	1	-	-	-	2	3
I've never heard of it	28	2	27	8	-	65
Σ	74	4	56	14	2	150

Source: Own survey.

Table 7 shows the relationship between the respondents' familiarity with the NLP and the answers regarding the acceptability of using the Dickens Pattern in business. The majority of respondents, 57.3% from all categories of NLP familiarity respondents, believe that any assistance is welcome, while 30% already use this method without knowing that it is NLP. Only 12.7% think that this method would not help them.

Table 7: Attitude on admissibility of the Dickens Pattern in business

Familiarity with NLP	Do you think this method would be something you could use?			Σ
	Yes, I think I could use it	Yes, I'm already using this method, but I didn't know it was NLP	No, I don't think it would help	
I've heard of NLP and I know something about it	22	17	3	42
I've heard of NLP, but I don't know what it's about	25	10	5	40

yes, I use NLP even though I didn't attend NLP classes	3	-	-	3
I've never heard of it	36	18	11	65
Σ	86	45	19	150

Source: Own survey.

The relationship between NLP respondents' familiarity with the answer to the question about the acceptability of Walt Disney's strategy in business is shown in Table 8. Most respondents from all observed groups believe that this method could be applied in their business.

Table 8: Attitude on admissibility of Walt Disney's strategy in business

Do you think this method could be applied to your business?					
Familiarity with NLP	Yes, it can be applied	Yes, it's already being applied	Maybe, I'm not sure	No, i don't think it can be applied	Σ
I've heard of NLP and I know something about it	23	6	11	2	42
I've heard of NLP, but I don't know what it's about	24	2	11	3	40
yes, I use NLP even though I didn't attend NLP classes	1	2	-	-	3
I've never heard of it	35	3	23	4	65
Σ	83	13	45	9	150

Source: Own survey.

The results of the applicability of individual NLP methods in a five-degree Likert scale with respect to familiarity of respondents with NLP are shown in Table 9. The results indicate that, whether or not they are familiar with NLP- The respondents agree that all five NLP methods could be applied in their business.

Table 9. Attitude on applicability of NLP methods

	STATEMENT	THE DICKENS PATTERN	V-K DISSOCIATION	ANCHORING	WALT DISNEY'S STRATEGY	PERCEPTUAL POSITIONS	Σ
I KNOW IT'S SOMETHING	I completely agree	16	12	8	11	12	59
	I agree	13	19	20	15	17	84
	indifferent	8	8	10	11	9	46
	I disagree	3	1	1	1	2	8
	I completely disagree	2	2	3	4	2	13
BUT I DON'T KNOW WHAT	I completely agree	6	7	4	8	8	33
	I agree	22	16	19	12	17	86
	indifferent	7	12	13	12	12	56
	I disagree	3	3	2	5	1	14
	I completely disagree	2	2	2	3	2	11
NEVER EVEN THOUGHT I DIDN'T ATTEND	I completely agree	1	1	1	1	1	5
	I agree	1	1	1	1	1	5
	indifferent	0	0	0	0	0	0
	I disagree	0	0	0	0	0	0
	I completely disagree	1	1	1	1	1	5
I HEARD OF IT	I completely agree	14	11	10	11	14	60
	I agree	22	27	23	23	20	115
	indifferent	21	20	20	23	24	108
	I disagree	4	3	9	3	3	22
	I completely disagree	4	4	3	5	4	20

Source: Own survey.

Table 10 shows the relationship between NLP respondents' familiarity and answers to the question about the eligibility of NLP education. The majority of respondents, 81.3% of them, from all observed groups would accept free NLP education, while few think that these methods are not useful or do not need to invest in their communication skills or are not interested in education.

Table 10: Acceptance of free NLP education

If your employer ensured free NLP education, would you accept it?						
Familiarity with NLP	Yes, I would definitely accept	No, I don't think these methods are useful	No, I'm not interested	No, I think I don't need to invest in my communication skills	No, I already attended this type of education	Σ
I've heard of NLP and I know something about it	37	1	3	1	-	42
I've heard of NLP, but I don't know what it's about	32	-	7	-	1	40
yes, I use NLP even though I didn't attend NLP classes	3	-	-	-	-	3
I've never heard of it	50	2	8	5	-	65
Σ	122	3	18	6	1	150

Source: Own survey.

The check of the existence of the correlation between the two variables was performed by chi-square test using the frequencies of occurrence of a single response in relation to the familiarity of the subjects with NLP.

Table 11: Correlation of respondents' familiarity with NLP and their view on applicability of NLP methods

FREQUENCY OF ANSWERS	THE DICKENS PATTERN (TABLE 7.)	WALT DISNEY'S STRATEGY(TABLE 8.)	ACCEPTANCE OF NLP EDUCATION(TABLE 10.)
CHI-SQUARE:	6,569	17,729	10,956
DEGREES OF FREEDOM (DF):	6	9	12
SIGNIFICANCE LEVEL P:	0,363	0,039	0,533
LIMIT VALUE:	5,35	14,68	21,03
STATUS:	At least one expected frequency is less than 1.		
YATES CORRECTION:	3,526	9,421	20,189
YATES P:	0,741	0,399	0,064
HYPOTHESIS:	3,526 < 5,35	9,421 < 14,68	20,189 < 21,03

Source: Own survey.

The values of the calculated chi-square tests are shown in Table 11 based on the data in Table 7 (Dickens form), 8 (Walt Disney strategy) and 10 (NLP education eligibility). Given that the results of the chi-square test show that all χ^2 are less than read, the conclusion is that respondents who are more familiar with NLP do not differ statistically significantly from respondents who know nothing about NLP in their propensity to accept NLP method.

Table 12 shows the relationship between respondents' level of education and how they're perceiving the acceptability of using NLP methods to achieve more effective communication and better business results. Almost half of the respondents who have finished higher education, 49.55% believe that any help is welcome, while 37.84% think they cannot answer the question because they do not know enough about these methods.

Similar trend is shown for people with secondary education. Almost half of them, 48.72%, believe any help is welcome, while 35.9% believe they don't know enough about these methods to answer.

Table 12: Attitude on applicability of NLP methods

Level of education	Would you use NLP methods if you knew they'd help you in achieving a more efficient communication and better business results?					Σ
	Yes, any help is welcome	I wouldn't	I don't know enough about these methods to answer	I'm not sure	I already use them	
Higher education	55	2	42	10	2	111
Secondary education	19	2	14	4	-	39
Σ	74	4	56	14	2	150

Source: Own survey.

Table 13 shows the relationship between the respondents' level of education and the answers regarding the acceptability of using the Dickens Pattern in business. Majority of respondents with higher education, 89.19%, are either already using this method or believe they could use it in their workplace. On the other hand, 82.05% of respondents with secondary education have positive attitudes toward admissibility of the Dickens pattern in business.

Table 13: Attitude on admissibility of the Dickens Pattern in business

Level of education	of	Do you think this method would be something you could use?			Σ
		Yes, I think I could use it	Yes, I'm already using this method, but I didn't know it was NLP	No, I don't think it would help	
Higher education	64	35		12	111
Secondary education	22	10		7	39
Σ	86	45		19	150

Source: Own survey.

The relationship between respondents' level of education with the answer to the question about the acceptability of Walt Disney's strategy in business is shown in Table 14. Majority of respondents with higher level of education, 67.58%, believe this method could be applied to their business. Slightly less percentage of respondents with secondary education, 53.85%, share the same attitude.

Table 14: Attitude on admissibility of the Walt Disney strategy in business

Level of education	Do you think this method could be applied to your business?				Σ
	Yes, it can be applied	Yes, it's already being applied	Maybe, I'm not sure	No, I don't think it can be applied	
Higher education	63	12	28	8	111
Secondary education	20	1	28	8	39
Σ	83	13	46	16	150

Source: Own survey.

The results of the applicability of individual NLP methods in a five-degree Likert scale with respect to respondents' level of education are shown in

Table 15. Consistently, greater percentage of respondents with a higher level of education have a positive view on applicability of different NLP methods as compared to those with secondary level of education.

Table 15: Attitude on applicability of NLP methods

	STATEMENT	THE DICKENS PATTERN	V-K DISSOCIATION	ANCHORING	WALT DISNEY'S STRATEGY	PERCEPTUAL POSITIONS	Σ
HIGHER EDUCATION	I completely agree	30	23	19	25	30	127
	I agree	43	47	49	39	41	219
	indifferent	25	31	31	32	31	150
	I disagree	8	5	7	7	4	31
	I completely disagree	5	5	5	8	5	28
SECONDARY EDUCATION	I completely agree	7	8	4	6	5	30
	I agree	15	16	14	12	14	71
	indifferent	11	9	12	14	14	60
	I disagree	2	2	5	2	2	13
	I completely disagree	4	4	4	5	4	21

Source: Own survey.

Table 16 shows how willing would respondents be to accept a free NLP education based on their level of education. High percentage of respondents' from both groups would be willing to accept a free NLP education – 81.98% of those with higher of education and 79.49% of those with secondary education.

Table 16: Acceptance of free NLP education

If your employer ensured free NLP education, would you accept it?						
Level of education	Yes, I would definitely accept	No, I don't think these methods are useful	No, I'm not interested	No, I think I don't need to invest in my communication skills	No, I already attended this type of education	Σ
Higher education	91	3	13	3	1	111
Secondary education	31	-	5	3	-	39
Σ	122	3	18	6	1	150

Source: Own survey.

The check of the existence of the correlation between the two variables was performed by chi-square test using the frequencies of occurrence of a single response in relation to the respondents' level of education.

Table 17: Correlation of respondent’s familiarity with NLP and their view on applicability of NLP methods

FREQUENCY OF ANSWERS	THE DICKENS PATTERN (TABLE 13.)	WALT DISNEY’S STRATEGY (TABLE 14.)	ACCEPTANCE OF NLP EDUCATION (TABLE 16.)
CHI-SQUARE:	1,502	6,702	3,253
DEGREES OF FREEDOM (DF):	2	3	4
SIGNIFICANCE LEVEL P:	0,472	0,082	0,516
LIMIT VALUE:	1,39	7,81	3,36
STATUS:	Ok.	At least 20% of expected frequencies are less than 5.	At least one expected frequency is less than 1
YATES CORRECTION:	0,833	4,555	1,212
YATES P:	0,659	0,207	0,876
HYPOTHESIS:	0,833 < 1,39	4,555 < 7,81	1,212 < 3,36

Source: Own survey.

The values of the calculated chi-square tests are shown in Table 17 based on the data in Tables 13 (the Dickens Pattern), 14 (Walt Disney's strategy) and 16 (NLP education eligibility). Given that the results of the chi-square test show that all χ^2 are less than expected values, the conclusion is that respondents with a higher education do not differ significantly from respondents with secondary education in their propensity to accept NLP methods.

Last hypothesis focused on inspecting the relationship between respondent's length of employment and their propensity to accept NLP methods. Table 18 shows how the majority of respondents, irregardless of their length of employment, would be willing to accept any help to improve their business communication and achieve better results. However, highest percentage of people who have been employed for 5 to 15 years (55.6%) believe any help is welcome.

Table 18: Attitude on applicability of NLP methods

Length of employment	Would you use NLP methods if you knew they'd help you in achieving a more efficient communication and better business results?					Σ
	Yes, any help is welcome	I wouldn't	I don't know enough about these methods to answer	I'm not sure	I already use them	
Less than 5 years	9	1	11	3	-	24
5 to 15 years	30	2	20	1	1	54
16 to 25 years	23	-	12	7	1	43
26 to 35 years	10	1	9	3	-	23
36 years or more	2	-	4	-	-	6
Σ	74	4	56	14	2	150

Source: Own survey.

Table 19 shows how the length of employment affects attitudes towards admissibility of the Dickens Pattern in their business. When it comes to the Dickens Pattern, it appeared that the majority of those who have been employed for less than 5 years, 95.83%, have a positive attitude towards the admissibility of this method in their business.

Table 19: Attitude on admissibility of the Dickens pattern in business

Do you think this method would be something you could use?	
--	--

Length of employment	of yes, I think I could use it	yes, I'm already using this method, but I didn't know it was NLP	no, I don't think it would help	Σ
Less than 5 years	16	7	1	24
5 to 15 years	36	13	5	54
16 to 25 years	23	14	6	43
26 to 35 years	9	8	6	23
36 years or more	2	3	1	6
Σ	86	45	19	150

Source: Own survey.

Similar results have been found when it comes to the admissibility of Walt Disney's strategy in business – 75% of those who have been employed for less than 5 years state that this method could be applied or is already being applied in their business. A detailed report about the relationship between the attitudes toward Walt Disney's strategy in business and the length of employment of the respondents' can be found in Table 20.

Table 20: Attitude on admissibility of Walt Disney's strategy in business

Do you think this method could be applied to your business?					
Length of employment	Yes, it can be applied	Yes, it's already being applied	Maybe, i'm not sure	No, i don't think it can be applied	Σ
Less than 5 years	14	4	4	2	24
5 to 15 years	32	1	17	4	54
16 to 25 years	23	5	13	2	43
26 to 35 years	10	3	10	0	23
36 years or more	4	0	1	1	6
Σ	83	13	45	9	150

Source: Own survey.

The results of the applicability of individual NLP methods while considering the respondents' length of employment are shown in Table 21. The results indicate that respondents who have been working for either less than 5 years or more than 36 years have the most positive attitudes towards the applicability of NLP methods. Specifically, those who have been employed for less than 5 years have the most positive attitude towards Anchoring (76.47%) and Technique for changing perceptual positions (88.24%), while those who have been employed for over 36 years have the most positive attitude towards V-K dissociation (75%) and Walt Disney's strategy (75%).

Table 21: Attitude on applicability of NLP methods

	STATEMENT	THE DICKENS PATTERN	V-K DISSOCIATION	ANCHORING	WALT DISNEY'S STRATEGY	PERCEPTUAL POSITIONS	Σ
LESS THAN 5 YEARS	I completely agree	6	4	3	2	3	18
	I agree	7	8	10	10	12	47
	indifferent	4	5	4	5	2	20
	I disagree	0	0	0	0	0	0
	I completely disagree	0	0	0	0	0	0
	I completely agree	12	7	6	8	10	43
15-36 YEA YEARS	I agree	17	27	19	16	19	98

16 TO 25 YEARS	indifferent	10	9	16	19	11	65
	I disagree	5	2	5	3	6	21
	I completely disagree	4	3	2	2	2	13
	I completely agree	11	9	8	6	9	43
	I agree	14	14	15	13	13	69
	indifferent	5	7	7	10	8	37
	I disagree	1	1	1	2	1	6
	I completely disagree	1	1	1	1	1	5
	I completely agree	1	0	1	1	1	4
	I agree	11	13	10	11	10	55
	indifferent	5	4	6	6	7	28
	I disagree	1	1	1	0	0	3
26 TO 35 YEARS	I completely disagree	2	2	2	2	2	10
	I completely agree	0	0	0	0	0	0
	I agree	3	3	3	3	3	15
	indifferent	1	1	1	1	1	5
	I disagree	0	0	0	0	0	0
	I completely disagree	0	0	0	0	0	0
36 OR MORE YEARS							

Source: Own survey.

Table 22 shows the relationship between NLP respondents' length of employment and their willingness to accept a free NLP education. Majority of respondents who have been employed for 16 to 25 years would be willing to accept a free NLP education, 88.37%

Table 22: Acceptance of free NLP education

If your employer ensured free NLP education, would you accept it?						
Length of employment	Yes, I would definitely accept	No, I don't think these methods are useful	No, I'm not interested	No, I think I don't need to invest in my communication skills	No, I already attended this type of education	Σ
Less than 5 years	20	-	2	1	1	24
5 to 15 years	44	1	7	2	-	54
16 to 25 years	38	-	4	1	-	43
26 to 35 years	17	2	3	1	-	23
36 years or more	3	-	2	1	-	6
Σ	122	3	18	6	1	150

Source: Own survey.

The check of the existence of the correlation between the two variables was performed by chi-square test using the frequencies of occurrence of a single response in relation to their length of employment.

Table 23: Correlation of respondents' length of employment and their view on applicability of NLP methods

FREQUENCY OF ANSWERS:	THE DICKENS PATTERN (TABLE 19.)	WALT DISNEY'S STRATEGY (TABLE 20.)	ACCEPTANCE OF NLP EDUCATION (TABLE 22.)
CHI-SQUARE:	9,934	13,324	18,622
DEGREES OF FREEDOM (DF):	8	12	16
SIGNIFICANCE LEVEL P:	0,27	0,346	0,289
LIMIT VALUE:	10,2	11,3	19,4
STATUS:	At least one expected frequency is less than 1.		
YATES CORRECTION:	6,308	6,616	13,313
YATES P:	0,613	0,882	0,65
HYPOTHESIS:	6,308 < 10,2	6,616 < 11,3	13,313 < 19,4

Source: Own survey.

The values of the calculated chi-square tests are shown in Table 23 based on the data in Tables 19 (the Dickens Pattern), 20 (Walt Disney's

strategy) and 26 (NLP education acceptance). Given that the results of the chi-square test show that all χ^2 are less than expected values, the conclusion is that respondents with less years of employment do not differ significantly from respondents who have been employed for a longer time in their propensity to accept NLP methods.

DISCUSSION

The majority of respondents (70%) haven't been introduced to NLP methods before, while only 2% used these methods in their work. After getting introduced to the methods, respondents showed a positive attitude towards the acceptability of using NLP methods for achieving a more efficient business communication and, along with that, achieving better work results. This attitude is furthermore confirmed by the results showing the respondents' willingness to accept a free NLP education of which 88,37% are made of respondents who have been employed for 16 to 25 years. The hypothesis that extroverted respondents are more willing to accept presented methods has not been confirmed. Research shows that there is no statistically significant difference between the responses of the two groups. Respondents who were familiar with NLP methods show a positive attitude towards accepting these methods to improve their business communication, while others who were not familiar with them show either an indifferent or negative attitude towards using them. However, regardless of their level of familiarity and their level of education, respondents believe that these methods are applicable in their work environment further confirming this attitude by saying that any help in business is welcome. By taking length of employment as a factor that affects the attitude towards the applicability of NLP methods, research has shown that respondents who have been employed for less than 5 years and those who have been employed for over 36 years, have the most positive attitude towards these methods. This shows their willingness to adopt new work techniques to improve their work efficiency.

Even though the trend analysis of the results indicates there are some possible differences between the respondents based on their personality, level of education, and length of employment in their attitude towards the acceptability of NLP methods in business, all of these hypothesis ended up being statistically insignificant. Given the fact that this research involved smaller and uneven group of respondents, future research should focus on using a more representative sample which could confirm these trends and differences in the attitudes of respondents.

CONCLUSION

This research had the goal of determining the attitudes of employed people in Republic of Croatia about acceptability of NLP methods in business

communication. The analysis shows that respondents have a positive attitude towards presented methods, rating them as an acceptable mean to achieve better business results. The respondents were open to participate in free educations, if they were ensured by their employer, to adopt new techniques of business communication. Even though there were no significant differences based on their personality, level of education and length of employment, results show that the respondents are willing to invest in their communication skills. Furthermore, the results show a small percentage of respondents that are familiar with NLP, but it doesn't affect their attitude towards its influence on effective thinking and action that lead to a more successful business. This research indicates that employed people don't have limited beliefs when it comes to learning new techniques and work self-evaluation methods, and the possibility of investing in them. That type of openness towards learning is a positive sign to the organizations that there's a will and space to improve. Results show the respondents' focus on achieving quality communication, removing obstacles and creating better interpersonal relations which is the key of success to any organization.

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HOUSEHOLD FINANCIAL STATE AND BEHAVIORAL FEATURES IN THE RUSSIAN FEDERATION

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Abstract

The article is devoted to features of household financial behavior at the macroeconomic level. The aim of the article is to explain this household behavior through the behavioral financial effects. Thanks to a comprehensive study of scientific publications, it has been found that there are practically no works on the macroeconomic analysis of behavioral qualities. Much attention is given to analysis of statistical data from Rosstat and the Central Bank of the Russian Federation for 2008-2020. The wide range of indicators is used to show the financial condition of households and identify the features of their behavior in Russia. In conclusion, it is evident that this study has shown the deviation of Russian households from a rational model of behavior. They financed consumption with loans, while actively creating savings. As a result, a situation of stagnation has developed with a significant increase in the credit load.

Key Words

Households; household financial behaviour; behavioral financial effects; behavioral economics; Behavioral theory; the rational model of behavior.

INTRODUCTION

Households are at the center of the modern economy. They provide a demand of certain goods and services to consume, creating new trends. Besides, the economies of countries depend on the financial household expectations, which create the limits of economic reality (Nikolaychuk, 2019). What is important here is to study the expectations and behavioral characteristics of households in times of crisis. Dramatic changes in the economy make households choose the irrational consumption model and accept rash financial decisions. The behavioral economics approaches can explain the actions of households in such conditions (Orlov, 2010).

Notably, the current crisis owing to the spread of corona virus hit the household sector hard. The unique consequence of this crisis was the impacted household behavior to some extent. In comparison with the Asian crisis of 1998 or the financial crisis of 2008, this crisis hit the demand and only in a supplementary way the supply of goods and services.

Households in the Russian Federation have perceived painfully this crisis because of a structural economic crisis. It has been lasting for almost 10 years, and the fall in oil prices and the devaluation of the ruble in 2014 made it worse. Meanwhile, real incomes of the population have been falling for 6 years that relates to the unrecovered economy from the global financial crisis in 2008 (Ilyinskaya, 2010). In addition, there are two negative impacts of the corona virus crisis on the Russian economy with regard to Russia as one of oil-producing countries with high resource dependence. On the one hand, in April 2020, the economy had to be quarantined. This measure hit hard on the real sector of the economy, small and micro-businesses. On the other hand, in March 2020, the OPEC deal to limit oil production terminated. This resulted in another wave of ruble devaluation (Belov, 2020).

The behavioral characteristics of households have become much more visible because of crisis. The variety of negative factors creates conditions for shifting of their consumer choice.

PROBLEM STATEMENT

In Russian and Western practice, approaches to the study of behavioral economics differ. The Russian scientists focus on theoretical research to define the role of behavioral finance in economics. There is an active discussion on the division of behavioral economic theory. Behavioral economics consists of behavioral theory and behavioral finance in the Russian literature. Practical research stays away, unfortunately.

In Western practice, most of the research is based on experimental empirical data. Scientists drew conclusions about the existence of behavioral effects based on modeling specific conditions, situations where the behavior of a group of people is studied.

In general, there are not many studies in the scientific community that would combine the analysis of household behavior at the macroeconomic level and the approaches of behavioral economics.

The research objective is a comprehensive study of the financial state and behavioral characteristics of households in the Russian Federation. As a result of the study, the key features of the financial behavior of Russian households are formulated and explained from the point of view of the behavioral theory.

LITERATURE REVIEW

The issue of household financial behavior is complex. To effectively study, it is necessary to combine the following scientific directions.

Consumer behavior

Within the neoclassical paradigm, economic agents are considered as rational figures. They make their financial decisions based on all available information. The preference of diversive financial alternatives from economic agents is given to the best option that suits the needs.

Indeed, this convenient concept allows to clearly assess deviations from a rational model of behavior. However, scientists point out that the economic man model cannot explain the complex trends of the modern economy. This is digitalization, personification, ecologization, aestheticization, and changing the emotional basis of economic activity.

Behavioral Economics

The approaches of behavioral economics allow to explain the economic agents' behavior in the complicated conditions of the modern economy. Scientists study situations of irrational behavior and try to find factors that affect this.

According to the Western scientists, behavioral economics has replaced the classical model. In contrast, the behavioral theory is considered to be a logical addition to the neoclassical model by the Russian scientists. Thus, behavioral theory reveals non-standard and unaccounted situations in the classical theory (Salin et al., 2016; Belozarov, 2008).

In the context of the behavioral theory analysis involves applying the various effects called standard patterns of economic agents' behavior. Western scientists have excellent results in the study of these effects. Over dozen behavioral effects have already been identified. For instance, the theory of planned behavior, the psychology of irrecoverable costs, the effects of consumer choice options, the chameleon effect, the effect of secret consumption, etc. (Ajzen, 1991; Chartrand et al., 1999; Biswas, 2009; Kahneman and Tversky, 1979).

DATA AND METHODOLOGY

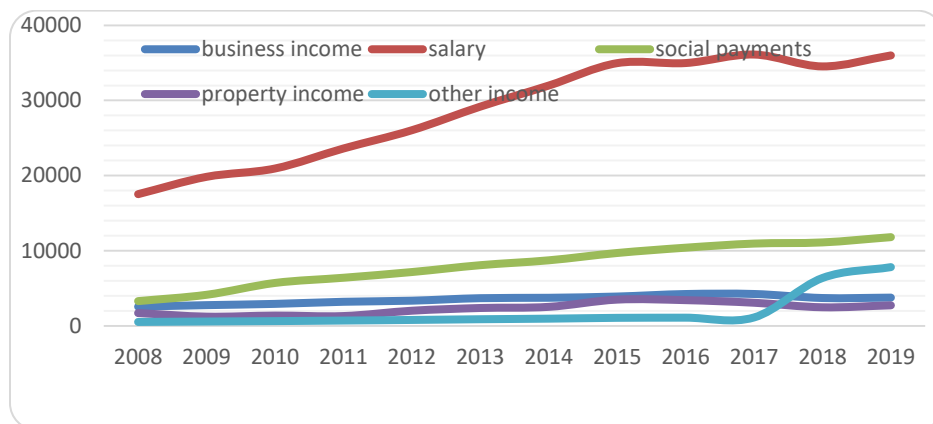
This study is based on several fundamental principles. Firstly, the state official statistics data for the Russian Federation are analyzed. Secondly, it's admitted households to act rationally. And, deviations from rational behavior are considered in terms of the effects of behavioral finance. Thirdly, households are considered as an element of the country's financial system.

The article comprehensively examines the official statistics from the Russian government departments. Key data for the study were taken from the official websites of the following departments: the Federal State Statistics Service and the Central Bank of the Russian Federation. The period from 2008 to 2019 is considered, special attention is paid to the crisis period of 2014-2015.

FINDINGS

Since 2008, the Russian economy has been affected by the negative consequences of several crises: the international financial crisis (2008-2009), the devaluation of the rouble and sanctions (2014-2015), the fall in oil prices (2020), and the closure of the economy due to the corona virus pandemic. Even so, the monetary incomes of Russian households have been growing in nominal terms throughout the entire period.

Figure 1: Household income in 2008-2019



Source: Federal State Statistics Service.

Regarding the structure of household income, the most significant portion of household income held in wages and social benefits. it is worth mentioning that a series of changes in the structure of income has taken place during the period under review.

Wages fell from 68 to 58%, while social payments increased from 13 to 19%. All other income changed significantly. Income from entrepreneurship has almost halved, as well as property income. Instead, other income has

increased from 2 to 13%. The official statistics office could not estimate directly and determine the source of such other income. And, as is often the case, this is called the shadow household income (Nivorozhkina, 2016).

Real disposable income of households remained mostly unchanged after the crisis of 2008-2009. Instead of the weak growth in 2008-2009, a sharp drop in this income after the crisis of 2014 is not still offset.

This mixed situation with household incomes from 2008 to 2019 is evidenced by the Gini index, which was at the level of 0.41-0.42 during the entire period. Index figure is high enough for such a large country as the Russian Federation that attests to the stratification of society. Although it has managed to reduce the number of people with lower by about three times incomes than the subsistence level.

Expenses on goods and services take the largest share of all expenses. This represented 73 % (2008) and 81% (2019). Moreover, the compulsory payments and other contributions are at the second line of expenses (13% in 2008; 15% in 2019). In total, households spent more than 96% of all disposable funds on current needs in 2019. Whilst, the cost of purchasing real estate was halved from 5 to 2% and the financial asset increment decreased from 8 to 1%.

As well as the composition, the structure of consumer spending by households is found to be almost unchanged since 2008.

Traditionally, Russian households spend little on health care and education (3.8 and 3.5% in 2019). And, over 55% of all expenses were for food, housing and communal services and transport.

Despite the nominal increase in income, the indicators mentioned above show the actual offset by the rise in prices. In physical terms, households consume approximately the same amount of goods.

Relating to loans and deposit placement, Russian households were based on the pronounced trends in 2018-2019.

Between 2008 and 2019, Russian households deposited over 25 trillion roubles in commercial banks. At the same time, the average annual deposit interest rate showed multidirectional dynamics. It can be observed the same interest rate in 2008-2013. The strong growth in 2014 was due to the key rate change by the Central Bank of the Russian Federation. There was the significant drop in 2015-2019.

Another important trend is the systematic growth in the volume of lending to individuals. In this process, there are several stages.

First, the smooth growth at extremely high rates lasted until 2014. Second, that was a period of stagnation with a slight decrease in rates between 2014-2016. Third, the rapid growth with stabilized rates was noticed from 2016 to 2019. The analysis of several household financial behavior trends after the 2014 crisis will be made separately. In recent years, households have become active users of the microfinance services. So, over the past 5 years, the portfolio of microcredits issued to the population has grown by almost 4 times. In addition, Russian households began to extensively invest in securities on their own.

Over the past 3 years, the number of individual clients on brokerage services has increased by more than 4.5 times. Besides, the number of

individuals with the fiduciary management agreement increased from 39,100 to 400,100. The number of individual investment accounts increased from 212,000 to 2,386,000.

In addition, statistics show the same model of Russian household behavior during acute crisis periods (2008-2009, December 2014, March 2020). Thus, they are actively trying to acquire foreign currency (mainly dollars), real estate (mostly by mortgage loans) and non-expendable items (especially, imported household appliances, electronics).

CONCLUSION

The financial condition and behavior of Russian households can be readily appreciated from the submitted summary of available statistics for 2008-2019 in the article. The interest in the subject is mainly stirred by the unusually frequent period of acute crises affecting the behavior of households.

The data has been presented would indicate that purchase of foreign currency occur during crises. On the one hand, this may be logical due to the strong dependence of the Russian economy on imports of goods. However, households tried to acquire foreign currency in large quantities, that significantly exceeded current needs. For instance, in the period September-December 2014 this was result of the crowd effect.

The most common household behavior trend is active purchase of non-expendable goods. It wouldn't be a mistake to consider this feature related to the previous effect. However, it is driven by the effect of deliverance from cash. Households try to acquire as many real goods as possible, even if they are not needed.

In 2014, people had been buying up household items for months. Instead of one device each consumer was purchased by several same goods. In contrast, the household began to get rid of this technique in the summer of 2015 when the situation with the exchange rate stabilized.

Let's have a final look at purchase of real estate with a mortgage. Traditionally, Russian households find it profitable to invest. In fact, the closure of the economy was due to the corona virus. In April-July 2020, there was the actual trend, when the portfolio of mortgage loans of Russian banks increased by 50%. Despite the problems with job search and its losses, households were actively taking out mortgages. This situation arises with regard to over-estimation of financial capabilities and underestimation of risks by households.

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DEMAND PLANNING ON SMALL AND MEDIUM-SIZED ENTERPRISES IN MEXICO: A CASE STUDY OF A CONFECTIONERY FIRM

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Abstract

Organizations that efficiently complete a demand planning process gain a competitive advantage. The current demand planning literature mostly studies relatively large organizations. However, SMEs invest a significant amount of resources into improving demand planning practices. Moreover, the context of SMEs in Latin America, and specifically Mexico, has not been explored sufficiently by the current literature. Thus, the purpose of this paper is to understand demand planning in a Mexican SME. The paper involves a case study of a confectionery firm based in Jalisco, Mexico. To make sense of the empirical findings, the Kilger and Wagner (2008) theoretical framework of demand planning was utilized. This paper concludes that Mexican SMEs have a different context compared to larger firms in developed countries. Thus, how Mexican SMEs envision and implement demand planning is unique, specifically in demand planning structures and controlling.

Key Words

Demand Planning; manufacturing, small and medium enterprises, Mexico.

INTRODUCTION

Small and medium-sized enterprises (SME's) play a vital role in the economy of emerging markets. Therefore, it is important to implement processes, such as demand planning, for the optimization of resources, and economic growth. Demand planning helps businesses remain in the market and increase competitiveness by reducing uncertainty, increasing revenues, and adapting to favorable environmental conditions. In this sense, demand planning represents a model of uncertainty reduction.

In recent years, demand planning has been recognized as the first link in the supply chain. However, its use can vary slightly between developed and emerging countries. This suggests that there are processes or mechanisms involved that have not been considered predominant or that are not necessarily homogeneous among all countries. The case of demand planning in emerging countries is interesting because it provides information about variables that were not generally considered in current theories of demand planning; thus, it will be the focus of this study.

Furthermore, this research aims to demonstrate the impact of demand planning on SMEs, specifically in emerging markets. Finally, this document provides an approximation of what the optimal conditions, models, and rules for its operation are. These factors contribute to delivering positive results such as high levels of customer service, optimal inventory levels, minimal waste of materials and reduced risk of obsolescence which, at the end of the day, resulting in reduced costs and hence, profitability; variables that determine growth in companies in the current environment. This is indisputably necessary to understand the past and present new scientific knowledge on the subject and make an original contribution.

BACKGROUND

When firms sell their products, their goal is to provide customers with the exact amount of demanded goods (Mentzer et al., 2001). Providing fewer products would result in less income, while an oversupply might incur extra costs in sales expenses. Thus, companies intend to forecast the exact amount of sale goods. However, such a task is a complicated challenge (Lambert and Cooper, 2000). Furthermore, without financial support, firms can rarely complete any organizational process. As stated by Kaufman and Covaleski, "*Activity can only occur through financial support for staff and related expenses, and a significant indicator of activity deemed legitimate is its priority for resource allocation*" (2010, p. 54). Forecasting demand is a complex activity because it involves a large number of variables that are usually exogenous to the firm. For instance, customers might change their desire to acquire goods from the company without giving previous notice (David, 1993). Additionally, customers might drastically change their previous consumption behavior, making it impossible to forecast future

trends with historical data. Furthermore, the demand for goods is affected by macroeconomic variables that are sometimes impossible to foresee (Hugos, 2018). However, as difficult as the task seems, demand planning is a crucial activity in Supply Chain Management (SCM) due to its impact on income and expenses (Tayur et al., 2012).

It is also important to notice that demand planning structures and strategies are designed and implemented depending on the market of the goods being produced (Hugos, 2018). On the one hand, regarding to business-to-business (B2B) business models, demand must be planned in parallel with the requirements of the buyers (David, 1993). This means that demand planning needs to be coherent throughout both organizations to eventually fulfill the demand requirements in terms of time and quality from the clients. On the other hand, business models with a business-to-customer (B2C) fashion, must anticipate their demand based on trends of final clients (Ramus, et al., 2017). Such a difference becomes relevant when demand planning structures and designs are implemented in the organizations. In this sense, marketing theories suggest that demand planning is intrinsically related to market research and customer relations (Howard, 1983). As Vlckova and Patak (2010) stated "There is feedback between the marketing and demand planning" (p. 1122).

In the context of SMEs, demand planning is even more relevant. Due to their size, SMEs are usually required to minimize selling expenses (Quayle, 2003). SMEs tend to have less liquidity and smaller credit lines than larger organizations, making efficiency a must (Sesar et al., 2018). Successful demand planning for SMEs can give them a competitive advantage as it might help them to reduce their costs and maximize their potential sales (Vaaland and Heide, 2007). In other words, a firm that's successful at demand planning might be able to have a leaner and cheaper production-distribution process, allowing them to set competitive prices for their goods.

Emerging markets provide an interesting context for the study of demand planning (Cedillo-Campos and Sanchez-Ramirez, 2013). Generally, emerging economies are associated with scarce capital and a shortage of credit lines. Thus, saving on production and sale expenses becomes critical in the survival of a firm (Esfahbodi et al., 2016). Demand planning offers firms in emerging markets an opportunity to create cheaper budgets, allowing organizations to operate at lower costs. With proper demand planning, firms can achieve more efficient inventories, giving them relief in their search for working capital. Furthermore, organizations in emerging markets are exposed to external institutions, which are generally different from developed economies (Omazic et al., 2020). Such institutions affect how the organizations develop their internal practices; "*Organizations deal with multiple sociocultural pressures that define appropriate ways of doing things*" (Ramus et al., 2017, p. 1253). This study incorporates such contextual influences and acknowledges the specific features of emerging markets.

The Mexican market represents one of the most complex economies in the world. Its relationship with foreign markets, the size of the internal market, and the complicated regulatory framework makes the Mexican

economy a challenging scenario for demand planning (Van Hoof and Thiel, 2014). Forecasting gets easier as macroeconomic forces tend to be more stable. In the case of Mexico, the macroeconomic landscape is turbulent and, to some degree, unpredictable (Garcia-Reyes and Giachetti, 2010). Regulatory changes, increasing market regulations, and inequality in national wealth make it difficult to forecast the behavior of consumers. This paper argues that, in the end, demand planning activities are "*Socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules*" (Thornton and Ocasio, 1999, p. 84).

Demand planning in the context of SMEs in an emerging economy such as Mexico seems like a huge challenge (Mangan and Lalwani, 2016). However, the outcomes of successful demand planning are exponentially positive for Mexican SMEs. This paper will use Kilger and Wagner's (2008) framework of demand planning to make sense of the empirical data gathered in the case studies. The following subsection presents the framework and aims to signpost the relevant processes in demand planning.

A framework for Demand Planning

Demand Planning is a critical activity in SCM as knowing the demand for products is the first step in the production and sales processes. Without a proper forecast of the demand, it is impossible even to prepare an accurate budget. Thus, financing the firm is also dependent on the success of demand planning. However, when organizations intend to plan the demand, it can be extremely chaotic. For instance, some firms might sell too many different products, or even an infinite number of products, if they sell customized goods, such as is the case with Dell. Furthermore, forecasting demand can be complicated if the time frame is not well defined. Sometimes, companies sell products without knowing how long their product is going to be on sale.

To clarify how demand planning is carried out in the companies studied in this paper, a demand planning framework will be used. The framework organizes the demand planning process into three features. Through this framework, it is possible to visualize what type of activities are carried out in the organizations and it makes it easier to compare them with different firms. As the purpose of this study is to analyze the demand planning of SMEs from the chocolate industry in Mexico, using this framework of demand planning seems appropriate.

Furthermore, the same framework has been used in other studies with similar research objectives. For instance, Kannegiesser et al. (2009) developed a demand planning model for the chemical industry. The authors used the demand planning framework to make sense of the empirical data that they collected and to structure their own. Moreover, Vlckova and Patak (2012) carried out a study to understand the effect of outsourcing on demand planning in Czech firms. The framework of demand planning helped the authors to organize the processes studied. Besides, the framework allowed them to assess the effects of outsourcing in a specific subprocess of demand planning.

The framework of demand planning is divided into three features that are subsequently divided into more specific mechanisms, which will be explained in this subsection. The three main features are: structures, processes, and controlling.

Demand Planning Structures

Demand planning structures are important because these set the basis on which demand planning will operate. Structures set the assumptions that the firm will use to forecast the demand for the goods that they sell. Demand planning structures are important because failure in setting the appropriate assumptions can lead to a wrong forecast. Min and Yu (2008) did a study of supply chain partners and concluded that a key factor in the success of chain value management was correctly setting the structure in which they operate. According to the authors of the framework, a demand planning structure is divided into three mechanisms: (i) time, (ii) products, and (iii) aggregation/disaggregation.

The time frame is very important when planning the demand. Firms need to think carefully about what time frame they will use. The time frame should allow firms to include seasonal changes in demand and supplier availability. For instance, a fast-food restaurant might set its time frame daily since fast food restaurants usually supply their raw materials every day. In contrast, a cloth retailer might resupply their inventories weekly; thus, it makes sense if the cloth retailer sets the time frame of their demand planning to a weekly basis.

The product feature is critical when firms set the structure on how they will do the demand planning process. Product refers to the unit of analysis that the firm will use to forecast the demand. Firms can forecast specific products using the SKU (stock-keeping units). For instance, a beverage firm can forecast the demand specifically for its cola soda of 500 ml presentation and independently forecast the cola soda of 750 ml. Furthermore, firms can choose to forecast a family of products. For example, the same company can choose to forecast using a family of products and they will forecast cola sodas regardless of the presentation.

Firms should also set if they want to aggregate or disaggregate their demand planning. Aggregating means that the firm starts from the smallest unit of analysis related to the products and from there they plan the demand to higher levels. For instance, if the beverage firm from the previous example decides to apply an aggregate perspective, they should plan first their demand using specific products and then add all the products of each family to calculate the total. In contrast, a disaggregating perspective suggests that the firm will do the demand planning based on the family of products, and from that, they can state the specific demand for each product. In the end, regardless of the perspective the firm chooses, their numbers at the family or product level should match. For instance, if the firm decided to disaggregate and they planned demand of 100 cola sodas, the sum of the 500 ml and 750 ml of soda colas should be 100 in total.

Demand Planning Processes

Once the structures are set, firms also need to establish the phases of demand planning. Defining the phases is a critical part of demand planning as it allows the organization to schedule the activities involved in demand planning. The core of this stage is to generate an outcome that would permit the firm to foresee the future demand for their products. It is also important to mention that this stage needs to be coherent with what was established in the structures of the demand planning, otherwise the disconnection between the stages might produce mistakes in the way in which the firm forecasts demand. Demand planning processes consist of three mechanisms that organizations should clarify: (i) phases, (ii) participants, and (iii) forecast.

The phases in the demand planning process might differ in different organizations. For instance, some firms might consider fewer phases than other firms. Usually, the level of complexity in the supply chain decides the number of phases identified by each organization. Examples of phases include gathering data, computations of statistics, judgmental forecasting, and the release of forecasts. It is important to note that each of these phases needs to be based on the structures that were previously set by the organization.

Defining the participants of the demand planning process is another crucial procedure that firms should complete. It is impossible to invite everyone in the organization to participate in demand planning. Thus, it is an operational need to define who will participate and who will not. In some organizations, senior managers carry out the demand planning process alone. In such cases, organizations believe that senior managers hold all the information required to complete the demand planning process. In other organizations, mid-tier managers are also invited to participate in the demand planning process. Such organizations are usually large and complex, so they require the participation of more members. Finally, some firms decide to invite external members to participate in the demand planning process. These organizations intend to extract information from outside of the firm and include it in their demand planning process.

The core of the demand planning process is the forecast. During the forecast, the firm uses a previously established methodology to forecast the expected demand for their products. As the current literature states, there are three main ways an organization can forecast the demand: qualitative, quantitative, and mixed methods. Qualitative focuses on the subjective opinion of individuals in the organization to forecast the expected demand for a product. An organization might find it easier to rely on the experience and knowledge of their managers to establish the expected demand, whilst other firms rely on complex mathematical and statistical methods to forecast the demand. By using such methods, the organization analyses the gathered data and forecasts the possible demand. Finally, it is also possible to mix qualitative and quantitative methods. In this case, organizations might use a quantitative approach to set an objective baseline for the forecast, then they might use a subjective judgment by senior managers to polish the forecast.

Demand Planning Controlling

Once the organizations have finished with the forecast, it is necessary to supervise the real outcomes of the firm. This stage is critical in every organization, but the context of SMEs highlights its importance. Davila and Foster (2009) found that startup firms that monitored the expected demand had a better performance than organizations that only focused on forecasting demand but never documenting what happened. Similarly, Shi et al. (2011) concluded that controlling demand planning is a critical stage that allows organizations to improve their production processes. Demand planning controlling is divided into two mechanisms: (i) incentives-responsibilities and (ii) Key Performance Indicators (KPIs).

Setting incentives and responsibilities is critical when firms carry out the demand planning process. Organizations might focus on how they can foster the successful implementation of demand planning without harming the production process of the firm. In this sense, senior managers might focus on stimulating individuals in the organization to accomplish the forecast. Once senior managers realize that the demand forecast has been accomplished, they can provide organizational members with bonuses as a reward for their effectiveness. On the contrary, when the forecast is not met, senior managers should be able to identify the organizational members responsible for such a variance and act accordingly.

However, when the senior managers contrast what happened with the forecast, they usually find it hard to judge if the outcome was positive or negative. Furthermore, even if managers can determine whether the outcome was positive or negative, it is difficult to assess the degree of success or failure. Due to these difficulties, senior managers develop KPIs that allow them to evaluate, as objectively as possible, if the outcomes of the process were positive or negative. There are different KPIs that are used worldwide, but in this paper, three will be explored during the case study: accuracy, inventory, and field rate. Accuracy KPIs relate to how well the firm accomplished the stated forecast, inventory KPIs focus on the efficiency of inventory management and, finally, field rate KPIs focus on fulfilling the demands of the firm's clients.

METHODOLOGY

Demand planning has been studied using different methodologies. Authors have used quantitative (Peidro et al., 2009), qualitative (Akillioglu et al., 2013), or mixed methods (Okurut et al., 2015). Each researcher chose a methodology based on his abilities and the research question that he or she previously stated. In the case of this research, the most suitable methodology is qualitative (Apaiah et al., 2005). A qualitative methodology permits a deeper understanding of the case context (Goffin et al., 2012). Additionally, the qualitative methodology considers the individual interpretations of relevant participants (Mangan et al., 2004). These two

features of the qualitative methodology are coherent with the research objectives of this paper.

This paper will use a case study to capture and analyze empirical data. A case study permits a deeper understanding of a phenomenon in a determined context (Yin, 2011). Since the purpose of this study is to understand how a company carries out a demand planning process, the case study method becomes the most suitable alternative (Scapens, 2004).

For this study, different types of empirical data were collected. Firstly, the researchers gathered external reports such as press releases from the company studied, where the firm explained to outsiders some of their production innovations (Merriam, 1998). Secondly, the researchers carried out interviews with organizational members of the firm. The researchers completed six semi-structured interviews, which allowed them to ask for critical information related to demand planning (Bromley and Bromley, 1986; Whiting, 2008). The interviewees were mid and senior managers from the firm studied. During the interviews, managers asked not to include the name of the company in the case study. Thus, the studied company will be called *Confectionery Inc*. Changing the name of the company is only to fulfill the ethical agreements of the case study, the findings and conclusion of this paper are not affected by the change (Tellis, 1997; Street and Ward, 2012). The Kilger and Wagner framework of demand planning (2008) was used throughout the whole data analysis period.

CASE STUDY

Confectionery Inc is a Mexican confectionery firm that was founded in 1942, one of the most important sweet companies in the country. Confectionery Inc's headquarters is located in Guadalajara, Jalisco México. The plants of Confectionery Inc currently are located in Tlaquepaque and Tlajomulco, where 350 products are made. Confectionery Inc continues to grow thanks to the fact that it continues to develop new flavors, formulas, and attractive presentations, using the best technology in the confectionery sector and moving its products throughout the country.

The confectionery industry was selected for its importance in the local economy and for its complicated demand planning procedures. Firstly, the confectionery industry in Jalisco is of critical importance in terms of jobs created and private investment (Contreras-Escareño, 2016). Secondly, the confectionery industry represents important challenges on regards of demand planning (Reddy et al, 2011). Confectionery firms tend to have a complex network of suppliers, which require advanced planning and proper forecasting. Additionally, the demand for confectionery products vary significantly, as customers change their consumption patterns due to holidays, weather or specific events (Reddy et al, 2012).

The structure of Confectionery Inc's 3 plants and a distribution system helps to deliver all products across Mexico. The single large-scale distribution center and great labor management system prove Confectionery Inc's commitment to innovation. Research and development

are also a core element of their business strategy. The brands mentioned are quite popular among Confectionery Inc’s consumers and in markets the company operates. Additionally, corporate social responsibility is a priority for Confectionery Inc. Since 2007, the company Confectionery Inc have helped their employees to finish primary and middle education. Furthermore, the firm applies for health and addiction support programs periodically, the combination of which has allowed the majority of their staff to achieve professional growth.

Demand Planning Structures

For Confectionery Inc, the task for demand planning is to predict future customer demand at different levels: by-product, set of products, category, total product, and region. The demand pattern for a particular product can be considered as a time series of separate values. For each product, there may be multiple time series representing, for example, historic data, forecast data, or computed data, like the accuracy of the forecast. The selection of the right time series and the planning horizon of the forecast (time frame) to be used in the demand planning process depends on the answer to the question: What is being forecast?

In the case of Confectionery Inc, a mid-term master planning process requires a forecast for each product monthly (in cases, or production units, known as DFU - Demand Forecast Units). A long-term capacity planning process requires a forecast for each family monthly to meet the demand according to capacity. Finally, a long-term strategic planning process requires projections on each total product quarterly. See Figure number 1.

Figure 1: Demand Planning Structure

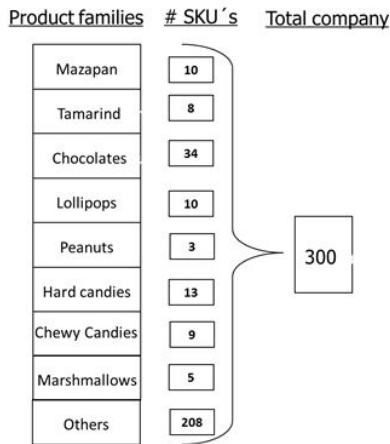


Source: Rodríguez Mauro, adapted with information from Confectionery Inc, 2020.

Currently, Confectionery Inc has a catalog of 300 SKU’s which are divided into 11 large families (see Figure 2). Time-series statistical forecasting is also a necessity when a company produces hundreds of end items. It is inefficient to develop a demand plan for just a few major product

lines. The turmoil caused by not planning for the demand for the other products disrupts production. Unplanned demand competes against planned demand for raw materials and production capacity (Crum and Palmatier, 2009). Customer service inevitably suffers, as do sales revenues and profit margins. Consequently, developing demand plans for all products is the best practice in the case of Confectionery Inc. For this, the company uses the Pareto diagrams to prioritize its demand.

Figure 2: Demand Planning Structure



Source: Rodríguez Mauro, adapted with information from Confectionery Inc, 2020.

When product portfolios include a large number of SKU's, a planning strategy is needed to ensure that all of the items are adequately planned. A common strategy for Confectionery Inc is to develop an aggregate plan at a family level for each product, with over 12-months planning horizon for consensus planning. The demand plan at the item level can frequently be delayed as late as possible or until raw materials need to be purchased or, if the family uses common materials until the product mix needs to be purchased the closer in time it is to the actual sale. Whatever is the best method for planning the product mix, the demand plan at the item level must be managed and controlled on a daily and weekly basis. The demand team and the supply team, or master scheduler, work together to fine-tune the product mix plan.

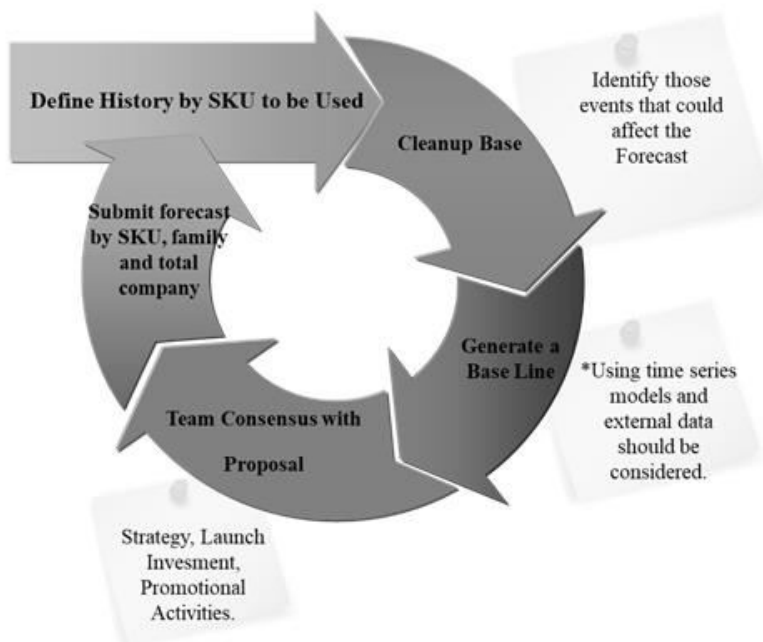
A synchronized and responsive supply of materials and products is the goal of the demand planning structure in Confectionery Inc, which is the very first step of supply chain planning. The efficient supply of materials determines the effectiveness of manufacturing and logistics operations in the chain. Propagation and magnification of the uncertainty of demand signals through the supply chain, referred to as the bullwhip effect, is the major cause of ineffective operation plans. Therefore, a flexible and robust supply chain forecasting system is necessary for Confectionery Inc planners to quickly respond to the volatile demand. Appropriate demand aggregation and statistical forecasting approaches are known to be

effective in managing the demand variability for Confectionery Inc products. A very important finding of this case study is that disaggregation of a forecasted aggregated demand should be employed when the aggregated demand is very predictable through its positive autocorrelation. Moreover, the large positive correlation between demands can enhance predictability and thus, result in more accurate forecasts when statistical forecasting methods are used (Chen and Blue, 2010). Confectionery Inc uses the time series decomposition model with very good results.

Demand Planning Processes

The demand process of Confectionery Inc is simple and occurs in 3 phases: i) Historical data of the real sales by SKU, ii) Statistical projection with time series methods, and iii) Adjustment of the base forecast with the sales and marketing areas, representing a collaborative process. Demand collaboration makes such good sense for Confectionery Inc. If demand information can be communicated throughout the entire supply chain, each trading partner would know how many products to have available and when. Also, fewer inventories would be needed as a hedge against uncertainty. Figure 3 summarizes the demand planning process in Confectionery Inc.

Figure 3: Demand Planning Process



Source: Rodríguez Mauro, adapted with information from Confectionery Inc, 2020.

In Confectionery Inc, the participants in the demand planning process represent the main areas of the company. It is made up of demand planning and the commercial area as well as operations and supply

planning. The company follows the best practices of companies already consolidated in this process:

Demand planner

- Runs forecast models to make the baseline forecast, its basic raw materials are sales history in monthly buckets.
- Presents the demand plan information in a timely, accurate, ready-to-use condition.
- Interacts with sales to complete data collection and opportunities.
- Focuses on issues and addresses any disconnections with future forecasts.

It is the primary contact for issues related to the roll-up of sales forecasts, analysis of forecasts, and the development of the ultimate demand plan.

Commercial area (area represented by sales and marketing)

- Gathers intelligence from assigned customers and integrates findings into demand planning.
- Performs sales forecasting for their assigned customers, markets, or other sales segmentation.
- Knows the actual vs. forecast performance for sales, the reasons, and corrective actions.
- Updates the sales forecast monthly and speaks to senior management in the corporate sales review meeting.

Each individual is the primary contact for issues related to sales forecasts for their particular customer and families.

Operations

- Sets the expectation with the production and materials teams that they will help with developing the supply plan according to the process and run to that plan.
- Ensures that the aggregate level data to be presented is linked to all of the derived detailed planning.
- Chairs the monthly or periodic supply planning meetings.
- Speaks to inventory and backlog performance versus forecast in the executive S&OP meeting.
- Presents the actual vs. forecast performance for the inventory.

It is the primary contact for issues related to strategic operations/supply decisions.

Supply Planning

- Updates the inventory plan monthly or periodically.
- Maintains safety stocks, production rates, vendor performance, lead times, and other supply planning attributes.
- Speaks to the inventory detail in the supply planning meeting.
- Reviews orders, due dates, and the inventory, and determines via analysis what to build, when to build, and where to build per the supply plan.

The final forecast for Confectionery Inc is published every month on various platforms and is disseminated in all areas for decision making; the process is religiously run every month. For Confectionery Inc, demand planning is worth the effort and there are important benefits, i.e., a reduction in forecast errors, increased level of service, inventories reduction, synchronization of all areas. Table 1 provides an example of the demand plans from Confectionery Inc.

Table 1: Consolidation of multiple inputs into final demand plan Confectionery Inc

Period	Statistical Forecast Input	Commercial Input	Customer Input	Final Demand Plan
1	5,000	6,500	7,000	6,167
2	7,500	9,000	10,000	8,833
3	6,000	8,000	9,000	7,667
4	11,000	13,000	14,000	12,667
5	4,000	4,500	5,000	4,500
6	4,500	4,700	4,500	4,567
7	8,000	9,500	10,000	9,167
8	3,000	4,000	4,000	3,667
9	3,500	3,750	4,000	3,750
10	10,000	12,000	14,000	12,000
11	12,000	15,000	16,000	14,333
12	11,000	12,000	13,000	12,000
13	5,000	6,500	7,000	6,167
14	7,500	9,000	10,000	8,833
15	6,000	8,000	9,000	7,667
16	11,000	13,000	14,000	12,667
17	4,000	4,500	5,000	4,500
18	4,500	4,700	4,500	4,567

Source: Own survey.

Demand Planning Controlling

Organizations need to manage the assignment of responsibilities to their members concerning the activities that must be carried out within them. This means that it is not only necessary to apportion functions to each member of the organization to have an action plan of the work performed by every member for every activity but it also provides a global view, that is, a way to display and organize these responsibility assignments (Cabanillas et al., 2011). Confectionery Inc is no exception to this way of functioning, the company has a very defined model of responsibilities for each one of the staff that participates in the demand process, these responsibilities have an incentive that is in line with the results. The scheme of responsibilities that have been adopted by Confectionery Inc is a scheme known as RACI (Responsible, Accountable, Consulted, Informed). Table 2 illustrates responsibilities across departments in Confectionery Inc.

- Responsible (R): a person who must perform the work and is responsible for the activity until the work is finished and approved by someone accountable. There is typically one person responsible for each activity.

- Accountable, also Approver or final Approving Authority - (A): a person who must approve the work performed by the person responsible for the activity and who becomes responsible for it after approval. There must be one, and only one, the person accountable for each activity.
- Consulted (C): this role includes all the people whose opinion is sought while carrying out the work and with whom there is two-way communication.
- Informed (I): a person who is kept up to date about the progress of activity and the result of the work, and with whom there is just one-way communication. There may be more than one person informed of the work of activity.

Table 2: Responsibilities across departments Confectionery Inc

Responsibilities	Sales	Operations	Demand Planner	Supply Planning	Marketing
Innovation Season & Core projects update	C	I	I	I	R & A
Discontinue items process	C	I	I	A	R
Sales Staff Meeting	A & R	I	C	I	A
Sales monthly meeting (forecast review)	R	I	C	I	A
Forecast base line by SKU and family	A	I	R	I	A
Consensus Meeting	A	C	R	C	A
Promotions, prices, new customers	R	I	A	I	R
Production Planning and Capacity	I	R	A	R	I

A= Accountable C=Consulted R= Responsible I=Informed

Source: Rodríguez Mauro, adapted with information from Confectionery Inc, 2020.

Demand planning does not consist solely of anticipating demand. It also involves influencing, communicating, managing, and prioritizing demand. The ultimate aim of demand planning is to manage the level, timing, and composition of demand to achieve the company’s goals in the most profitable manner. Performance measurements, therefore, should focus on the effectiveness of the demand management process, not just on the accuracy of the demand plan (Crum and Palmatier, 2003). All manufacturers have their business objectives based on a particular organization. Each of these objectives is divided into several sub-objectives, which are evaluated according to the KPIs of each department (Urabe et al., 2016). The demand planning process of Confectionery Inc began by measuring its performance with three basic metrics: forecast error, inventory level, and the number of SKUs. With the evolution and

specialization of the process, some additional metrics were added; a very relevant one that has contributed to monitoring the productivity of the portfolio is the velocity metric. Table 3 shows the current KPI's that Confectionery Inc uses to measure and control demand planning and the supply process.

Table 3: Current KPI's for Confectionery Inc

Metric	Units	Periodicity
Demand Plan Accuracy (DPA)	%	Monthly
Inventory level	Days	Weekly
Days of Supply (DOS)	Days	Daily
Inventory turns	Times per year	Every six months
Service Level	%	Monthly
Velocity	Index	Monthly

Source: Rodríguez Mauro, adapted with information from Confectionery Inc, 2020.

These measures are usually included on a dashboard that shows a graphic of every metric, and this is published and communicated periodically.

DISCUSSION

This section describes the best practice for the demand planning process through the structure, processes, and performance metrics. With the exposition of this case, there is evidence that Confectionery Inc has, in the last two years, synchronized its demand generation process, and consequently its supply, which in the long-run has resulted in profitability for the company. The impact has also been positive in other areas, in the decrease of stress in human resources, for example. It is an example of success in emerging markets, and this process is trending in these types of companies (Vlckova and Patak, 2012).

To be specific, when analyzing the case of Confectionery Inc and its demand planning structures, it is clear that there are some similarities and differences when compared to the existing literature (Hugos, 2018). For instance, it is similar in the sense that Confectionery Inc uses linear planning. However, it differs from the existing literature by using a larger time frame to forecast the demand for sold products. In this sense, Confectionery Inc modifies how they forecast demand. Part of this can be explained by the lack of credit available for companies in emerging economies. Thus, it is more economic to forecast a larger time frame and complete all the financial budgets based on that.

Regarding demand planning processes, it is important to note that Confectionery Inc uses a hierarchical structure where employees and managers are accountable horizontally as well as vertically. This characteristic differs from previously assumed models where there is a clear separation between horizontal and vertical responsibilities (Mangan

and Lalwani, 2016). Part of this innovation in the demand planning processes is due to the nature of the goods sold by Confectionery Inc. Confectionery Inc sells more than 300 products, but all of them are somewhat related to each other in that they are all a variety of sweets and candies. As previously mentioned, Confectionery Inc efficiently defines responsibilities in a mixed way, by combining horizontal and vertical accountability.

Finally, regarding demand planning control, Confectionery Inc is more conservative and follows what is advised in the current literature (Shi et al., 2011). Checkups on the demand plans and actual outcomes are performed regularly and if the firm identifies a fluctuation, then adjustments are made. This is consistent with the existing systems mentioned in the current literature. The similarities between the case study and Confectionery Inc might be since, as organizations become larger, they rely more on formal systems of control (Gil, 2019).

CONCLUSION

This paper contributes to the existing literature on demand planning practices. In particular, this research highlights the particular features of SMEs in an emerging market. By incorporating the features of an emerging market, it is possible to identify and explain patterns. The conclusions of this paper are congruent with the suggestion of Ryan et al., "It is more appropriate to apply the logic of replication and extension, rather than a sampling logic, to case study research" (2002, p. 269).

Demand planning is a relevant stream in the current managerial and accounting literature. Furthermore, the context of SMEs in emerging markets permits us to observe new practices and novel interpretations of already institutionalized procedures. Thus, future research calls for more explanatory case studies on the subject. The findings from such studies might benefit the current state of literature in demand planning. In particular, incorporating other industries into academic studies will enrich the understanding of demand planning practices and systems. Apart from the possible theoretical contributions that the proposed future research proposes, practical contributions are also relevant in the development of knowledge; "*Just contributing to theory without any application of that theory should not be fulfilling to researchers in a professional school*" (Merchant, 2012, p. 339).

It is also relevant to acknowledge the limitations of this study. First, while measures have been taken to prevent response bias, it is not possible to eliminate this in qualitative research (Mehra, 2002). Although the organization in this case study was selected due to its interesting context and innovative practices on demand planning, it would be interesting to incorporate a second organization to compare its demand planning practices. Second, due to legal bylaws of the firm studied, only one researcher could complete the semi-structured interviews. In a later stage

of this study, it will be interesting to incorporate a second interviewer to contrast the interpretations of each researcher.

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IMPLEMENTATION OF CORPORATE GOVERNANCE EXTERNAL MECHANISMS IN MARITIME COMPANIES

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Abstract

This paper discusses specific properties of external mechanisms of corporate governance in maritime companies. The goals of the paper are to clarify modern organisation and corporate governance, and to demonstrate internal mechanisms of corporate governance in a maritime company. The case study, selected to demonstrate the corporate governance mechanisms in the maritime industry, is related to Group Jadroplov d.d., located in Split, Croatia. The case study presents good corporate governance practices, which could serve as a benchmark within the industry and shows the external influences to the company considered.

Key Words

Corporation; management; internal mechanisms; Croatia.

MODERN CORPORATE GOVERNANCE

In each company, good corporate governance significantly depends on harmonised internal and external mechanisms used to provide management efficiency in the sense of better solving issues and conflicts and eventually establishing a successful trading. Furthermore, quality corporate governance also relates to company trading transparency, efficient usage of resources and establishing of relationships between the interest groups. Once the trust and responsibility are improved, good corporate governance offers the company credibility in its relationships with business partners, employees and other persons. Good corporate governance in a company enables investments in the company.

Good corporate governance depends on balanced relationships between various external and internal mechanisms that provide management efficiency and help in solving natural issues and possible conflicts that appear in corporate structures. Modern corporations, listed in stock exchanges, significantly differ from private companies of recognisable ownerships by relatively small numbers of shareholders. A corporation exists as a legal entity of its own, a joint stock company, created in the framework of positive laws and regulations, separate from its owners and managers. It is of an unlimited duration, has easier transferring of ownership and a limited liability of its shareholder.

A corporation is a mechanism established to enable various parties to contribute their capital, expertise and work, aimed to maximisation of profit for each of them. The investors (owners) have the possibility to participate in the company's profits without taking the responsibility for its operations. The management has the chance to guide the company without the obligation to invest their own money. The owners are involved in a limited responsibility and a limited participation in the events in the company, yet they have the right to elect the board of directors (directly or indirectly through the supervisory board).

Corporate governance is a sort of managing the management, or a meta-management, since it includes a group of relationships and interactions between the management, the board, the shareholders and the other interest groups, and defines the framework for setting goals and deciding on the resources intended for achieving the goals and following performance and efficiency up. It refers to the system of management and supervision over joint stock companies and deals with the relationships between the joint-stock company management, the supervisory board, the shareholders and other interest groups, related to the company.

Corporate governance systems

The corporate governance system is based on the presumptions related to the most important interest groups that influence the decisions made in companies, as well as to the instruments and mechanisms of particular interest groups it has at its disposition, how to use them and how to participate in the corporate governance. In the corporate governance also

important is how the roles of its interest bearers influence the basic matters and issues of the corporate governance.

Various historic, cultural, political and economic characteristics have significantly influenced corporate governance characteristics and practices in particular countries, and it is practically impossible to find two countries of identical corporate governance characteristics. Yet, possible is finding similarities in corporate governance key dimensions between particular groups of countries. Therefore, the notion of the corporate governance system is being used to classify comparable national corporate governance practices. At the global level, there are two basic corporate governance systems:

- open, and
- closed system.

The differences between the open and the closed corporate governance systems can be found in answers to the following questions:

- What the most important interest groups influencing the decisions made in corporations are.
- What instruments and mechanisms are at particular interest group's disposal, how the group uses them and how it participates in the corporate management.
- How the roles of particular interest bearers (and the mechanisms these groups have at their disposal) influence basic corporate governance matters and issues.

Relying on particular corporate governance mechanisms results from different constitutions of corporate control in open and closed systems. The corporate governance open system is inherent in the Anglo-American business circle, the basic goal of which is harmonisation of interests of the company management with those of the investors (current and future shareholders). Interests of other interest groups in a corporate governance open system are secondary to these.

Thus, in the strictest sense, corporate governance may be described as a formal system of responsibility of the management to the shareholders, intended to protect the owners' interests, firstly the mechanisms to discipline the management. On the other hand, in the widest sense, the notion includes an entire network of formal and informal relationships that appear in corporations, and the consequence of such relationships for the company as a whole. The corporate governance may also be understood as a group of processes, customs, rules, laws, decisions, institutions and supervisory mechanisms used to influence management, control and administration of a company.

Corporate governance theories

The entire complexity of corporate governance has been recognised and shaped in three basic theoretical approaches to corporate governance: the agency, stakeholder and stewardship theories. All three theories deal with the questions of the managers' position, responsibility, behaviour and implementation of the corporate goals.

- The agency theory is based on establishing a contractual relationship between the interested parties: the owner-principal, and the manager-agent.
- The stakeholder theory deals with a wider relationship between the management's responsibility about synchronisation of interactions between different interest groups aimed to the best possible satisfaction of their interests and the interests of the company shaped in achieving the business result.
- The stewardship theory is created as an alternative to the agency theory, based on trust and stewardship relationship between the manager and the employees, making an important potential in achieving corporate sustainability.

When the principal delegated a job to the agent, an agency relationship is created. The agent's task is optimal performing of the work, aimed to implementation of the principal's interest. In performing the task, the agent is to select actions that will achieve certain effects. The principal's achieved benefit, therefore, depends directly on the agent's acting. The agent, for accepting to perform a job for the principal, expects to receive an adequate reward. The agent's reward generally is agreed upon in advance and the principal is to pay it. The principal bears the risk of a possible failure, but also takes the effects of implementation of the task, decreased by the agreed payment to the agent. The amount of the agent's reward most often depends on the principal's interest in implementation of the set task. The agent's gain in the form of his reward makes a principal's expense, whereas the agent's effort brings profit to the principal (assuming that a greater effort directly relates to a better achievement), but makes an agent's expense.

Opportunism is the agent's selfish acting, assuming that every individual seeks to maximisation of their own benefits. So, agents too are motivated by their own interests and trend to benefit from every situation. An agent will select that reasonable amount of effort in performing their task that will maximise their benefits. Reluctant to work, agents will allocate their efforts to maximise their own benefits, event to the damages of the principal paying them.

The principal and the agent are entering a contractual relationship in the conditions of not knowing all the essential information on the nature and potential risks and results of the job in question. Here there is also a lack of information on one another's basic characteristics. Furthermore, under this theoretical premise, the principal does not have enough information about the agent, while the latter is doing their job (as long as until the effects of their contractual relations become evident).

The information asymmetry assumes an unequal access to information in the principal-agent relationship. Normally the agent has more information than the principal and thus has an information advantage, because it is he who performs the job. The principal's lack of information significantly obstacles his supervising the agent's activities and the best possible activities to achieve the principal's best benefit. The larger the information

asymmetry, the larger is the probability of the agent's opportunistic behaviour.

A hidden action (moral hazard) is the situation where the principal cannot check what the agent is really doing. The principal cannot make sure whether the agent is producing his maximum efforts. He can only see the result, whereas the agent knows how much effort he has produced, and also can see the effects of the environment before he decided on his own acting. The moral hazard is the situation where the agent is cheating the principal by not delivering the quality specified by their contractual relationship. The agency problem is also caused by creation of the agency costs:

- the costs of preparing and structuring the contract between the principal and the agent;
- the costs of supervision by the principal;
- the agents berthing-unberthing and other costs;
- the residual losses.

The supervision costs are the owner's costs of controlling the management (auditing, preparing management contracts, costs of dismissing the managers). The agent's costs are the costs of establishing and maintaining the system. There is the possibility of an intensive supervision affecting limitation of the manager initiative. Since eventually the agents bear the supervision costs, they are motivated to establish a system that will ensure the course of trading in the shareholders' interest.

The costs of supervision by the owners and the cost of binding by the managers together make the enforcement costs, necessary in performing the contract between the principal and the agent. Investing resources in securing contract implementation pays off up to a point where decreasing the losses from defaulting the contract equals increasing the enforcement costs. To the level where the marginal cost of such activities reached the marginal profit from decreasing the residual loss. A residual loss is the opportunity loss remaining after the contracts are optimally performed.

INTERNAL MECHANISMS OF CORPORATE GOVERNANCE IN A MARITIME COMPANY

The corporate governance mechanisms are divided to internal and external. The internal corporate governance mechanisms by which the stockholders are securing their interests are:

- boards and commissions,
- rewarding system,
- ownership concentration and structure,
- relationships with interest groups, and
- corporate reporting.

Interests of the internal stakeholders, that is, the owners, the managers and the employees, are primarily implemented through the boards and commissions, the rewarding system and the ownership concentration and

structure, whereas the public interests may also be implemented through the ownership concentration and structure and the relationship between the company and the shareholders. Corporate reporting is often understood as a passive internal instrument of corporate governance, because its basic task is transparent reporting to the internal stakeholders, but it is more than that.

Corporate governance is performed through the mechanisms securing the managers as agents to manage the corporation to the benefit of one or more principals (shareholders or other stakeholders). The mechanisms securing management efficiency may be various and include: control by large shareholders and creditors, internal control mechanism, external audit and the laws under which the corporation is operating.

The Supervising Board is an organisational instrument by which the shareholders and other significant interest groups influence the managers' acting in order to secure the company to be managed in their interest and in the interest of the company. The Supervisory Board has the legitimate power relative to the managers, based on formal rules of corporate governance, in the domain defined by the law and the company's acts and the regulations clarifying this relationship. Such specific quality of the Supervisory Board's position may, but does not have to, result in implementation of control and effecting the top management behaviour.

The Supervising Board supervises operations and performances of the top manager, protecting the interests of the dominant entity in the corporate governance structure, the shareholders but other relevant stakeholders as well. The Supervisory Board controls the rewarding policies and secures transparency of selecting replacements of the top managers, supervises potential conflicts in the operations. It prevents abuses of the company's assets, secures independence of the financial reporting system and selection of independent auditors, supervises the processes of publishing of relevant trading information, and cares for establishing an adequate system of control mechanisms in the company. Furthermore, the Supervisory Board participates in strategic operations, firstly by approving proposed strategic decisions, assessing previous strategic decisions and by advising and supporting the management in implementation of the common vision.

According to the OECD Principles of Corporate Governance, members of the Supervisory Board are to act in the best interest of the company and its shareholders, based on the fully available information and with a quality insight in the trading, in good faith and with the care of a good businessman. Specified are the Supervisory Board's responsibilities, including also establishing a company's ethical codex, securing harmonisation with laws and standards, and existence of a system of internal control financial reporting.

Boards and commissions are to secure implementation of the politics and procedures in line with the previously defined standards and to enable the company owners to supervise its trading. The literature differs two basic constitutions of the highest bodies managing and supervising a company' activities. The monistic constitutional system is characterised by the

existence of a single board made by executive and nonexecutive directors. Here the executive directors have the role of the management, and the nonexecutive directors that of the supervising board, the bodies characteristic for the second type of constitution, the so called "dual system". Depending on the constitution model, the board of directors, the management or the supervising board, usually constitute sub(boards), commissions or committees that are to deal with specific problems. So, for instance, in a bank constituted dually, the supervisory board normally constitutes the appointments board, the reward board, the risks board and, in coordination with the internal audit department, the audit board.

The rewarding system is an internal mechanism of corporate governance the purpose of which is to influence the management and make them create additional value for the shareholders. The rewarding system is to decide on the incentive rewards at all the levels of management, aimed to eliminating the so called "agency problem" with the managers at higher levels of management and to create additional motivation of managers at the lower levels of management. The rewards normally include short term (salaries, bonuses) and long term (options, shares, life and pension insurances) stimulations. Furthermore, the so called "compensation rewards" include also fabulous severance pays for the top managers.

Here can be pointed out the defects of the severance pay instrument, because it may encourage managers to take too large risks because in case of an error they will receive a compensation through the severance pay, whereas in case of a good decision they will receive a large bonus. Very large severance pay are contrary to the logic of the reward system because it is trying to redirect the management's short-term goals towards the long-term ones. It results from this that long-term compensations should be much larger than the short-term ones.

The ownership concentration and structure is a corporate governance mechanism that may be viewed from two aspects. The bank ownership concentration and structure significantly indicate the shareholders' power over the management and explain the relationships between the very shareholders. Traditionally, this instrument is directly related to the shareholders' influencing the management. The corporate governance open system is characterised by large numbers of small shareholders, none of them able himself directly to influence the appointment of the managing and supervising bodies. This explains the trend of growth of participation of the so called "independent", that is, external directors, but also points out that boards are a less significant mechanism of internal management in the open system in the context of protecting the shareholders interests. The corporate governance closed system is characterised by a large market part and large power of the largest blockholders.

Corporate reporting is a notion wider than the accounting and the financial reporting. The goal of the corporate reporting is to register economic activities, whereas the goal of the financial reporting is processing the accounting reporting results, aimed to creating information that will show the company's trading success. The said information are a

quantitative indicator of the management's success. The corporate reporting, on the other hand, provides not only quantity information, but also quality information. The latest literature is pointing out close relationships between the corporate reporting and the so called business intelligence. The corporate reporting does not have to be directed only to the public and the current and potential investors. The corporate reporting system may be of great help also to the managers and the employees, because it gives a feedback on their success and makes a base for making decisions that are based on technical and financial analyses rather than just on the managers' intuition.

Supranational regulations

Regulations and good legal standards make preconditions for a quality corporate governance. A quality legal framework should decrease the market players' feeling of uncertainty and to create clear expectations on the effects of acting in the world of investments and corporations. Of course, care should be taken to prevent it from becoming its opposite.

At the supranational and national levels, reforms are directed towards strengthening internal controls and finding optimum forms of the corporate governance system. Analysis of the corporate governance indicates that in each country company bodies have their specific qualities. What is common is the need of clear telling managerial from supervisory functions. In all countries the role of the audit board within the supervisory boards is growing [8]. Legal framework is providing a framework for efficient acting of supervising and managing bodies. In almost every EU member country amendments of their national codices are leading to the law of corporations that is in some of its parts led by soft-law instruments. When analysing the legal meaning and the purposes of application of codices, again and again appears dilemmas since application of codices is not a legal obligation, and they set high requirements for transparency. However, respecting stipulations of codices increases the investors', the shareholders' and the employees' trust in the company and its trading.

The ownership approach is based on recognising the company's purpose and the instruments of satisfying the owners' interests, because they are bearing the so called residual risk (the risk of collapse) of the company. The company is envisaged as an extension of the basic human rights related to owing assets. Arguments of supporters of this approach are that everybody's interests are satisfied best if the company bases its activities on maximising the ownership profits. Maximisation of the shareholders' wealth means increasing of long-term returns that the shareholders will receive from holding the corporation's shares.

Legal and regulatory framework of corporate governance in Croatia

In Croatia, the basic rules pertaining management, supervision and external and internal controls of companies are set in various regulations, mostly in the Companies Act. The legal and regulatory framework, provided it makes an efficient legal framework in ever country, is to provide for an equal treatment of all the market participants and to prevent any market

disturbances. Limiting and regulating business activities is attempted also partly in other laws and regulations stipulating the capital market, as well as those stipulating the matters of accounting and auditing.

A high quality legal and regulatory framework is another important external mechanism of corporate governance. However, care should be taken to prevent it becoming its opposite. Namely, overregulation may hinder entrepreneurial activities and direct potential investors' attention to other countries. Furthermore, if a company is operating in a legal environment full of strict regulations, establishing a free corporate governance system, specially designed to satisfy its needs, is not to be expected.

The key regulatory and supervising authority in Croatia is the Croatian Financial Services Supervisory Agency (*Hrvatska agencija za nadzor financijskih usluga - HANFA*), whose competency and scope of activities include supervision of the financial market, the supervising bodies and the financial services they are providing.

In April of 2007, the Zagreb Stock Exchange (*Zagrebačka burza*) and HANFA presented the Croatian Codex of Corporate Governance (*Hrvatski kodeks korporativnog upravljanja*), comprising seven chapters:

- (1) Introduction - Goals and basic principles
- (2) Public disclosure
- (3) Company bodies
- (4) Auditing and internal control mechanisms
- (5) Relationships with investors
- (6) Interest bearers
- (7) Publishing information on complying with stipulations of the Codex

The Codex is prepared in line with the OECD guidelines, while using experiences from other countries national codices, in line with Croatian laws and regulations. Protection of small shareholder, that is, protection of the shareholders' rights, makes an important external mechanism of corporate governance, because of existence of the possibility of abusing the position and power of large shareholders to the detriment of the small ones.

The Codex of Corporate Governance is a document that defines the standards of management and transparency of activities of joint-stock companies, and rules the management procedures, aimed to increasing the company activities transparency, establishing high quality internal processes and supervision of the management functions, prevention of the conflicts of interest, more efficient internal control and responsibility system, that is in the end to contribute to a larger transparency, easier investment decisions and protection of the investors. Dynamic industrial environment and continuous regulatory changes require constant improvement of corporate governance practices aimed to securing business sustainability and to attracting investments. Companies making efforts to improve corporate governance achieve balance between the need of competitiveness, growth and development on one side, and all its stakeholders' interests on the other. The Codex applies to all companies whose shares are listed at the Zagreb Stock Exchange, and its most

important amendments are avoiding overlapping with laws, removal of redundant details and decreasing the periods of time that companies are to spend on reporting, yet maintaining high standards of corporate governance. A particular emphasis of the new Codex is in the field of responsibilities of the management and supervisory boards, diversity of the members of the management and supervisory boards (especially the gender diversity) and independence of the supervisory board and its committees, as well as simpler and easier reporting on the status of the corporate governance in the companies subjected to the Codex.

The OECD principles of Corporate Governance are pointing out that shareholders are to have the right to:

- safe method of registration of ownership,
- ceding and transferring of shares,
- timely access to essential corruption information,
- participation and voting in the shareholders meetings,
- appointment and removing of board members, and
- participation in the company profits.

They rule that shareholders must have the right to participation in and adequate information on essential changes in the company, such as:

- amendments to by-laws, articles and other incorporation and constitutive documents,
- issuing additional shares, and
- influencing "unusual" transactions, including transferring the entire or almost entire assets that eventually may result in selling the company.

In the Part Three of the OECD Principles of Corporate Governance emphasized is the exceptional need of equal treatment of all the shareholders, regardless of the number of the shares they hold or their nationality, and their right to correct every potential violation of their rights.

Owners of large corporations may provide themselves with benefits to the detriment of small shareholders. Protection of small shareholders, as an instrument of corporate governance, is particularly important when there is a possibility of the large shareholders abusing their position to the detriment of the small ones, especially by tunnelling and other techniques. From the agency theory perspective, when an agency relationship is established between large and small shareholders, as a quality solution required are regulations that will prevent abuse of position of large share package holders. The problem of deprivation of the right to money flows and control levels in a company mostly depend on the level of protection provided to small shareholders by a country's legislation.

CASE STUDY ANALYSIS

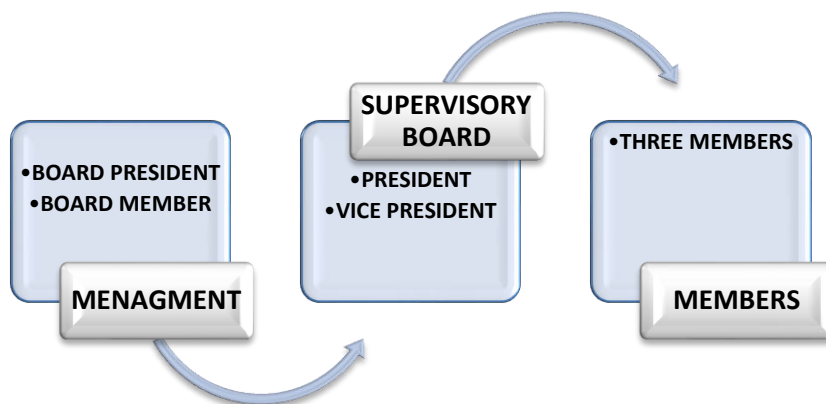
Basic information on the company

The shipping company Jadroplov d.d. of Split, Croatia, was incorporated on 20 January 1947. Following transformation of the social ownership of the company in 1993, the company became a joint-stock company of the mixed state and private ownership. Following a successful reorganisation of trading and rationalisation of expenses at all the levels, and thanks to the very favourable conditions in the global shipping market, Jadroplov ended the several years period of negative trading and has been making excellent business results for eight years now. The increase of freights is accompanied by adequate increase of the value of the ships. The main drivers of this positive trend of demand of free ship capacities are the Far East countries, primarily China, with an enormous growth of traffic through its ports. The main activities of Jadroplov are:

- international maritime transport by own tramp category ships,
- crew management,
- technical maintenance of ships.

In its own training centre, Jadroplov are providing everything that is necessary to train both their own and other seamen, enabling them to receive various certificates and to undergo compulsory safety trainings. Besides this, Jadroplov are also engaged in travel agency business. Today they have around 50 employees (working in their head office in Split) and 350 contracted seamen, and have 8 bulk carriers of their own of 42,500 to 52,100 dwt in capacities, all of them equipped with their own cranes, of 378,107 dwt in total capacity. The fleet average age is 9.0 years.

Figure 1. Management structure of Jadroplov d.d. Split



Source: Jadroplov.

The management structure of Jadroplov comprises the Board of Directors comprising the Board President and a Board member. The Supervisory Board comprises the Board President the Board Vice-President and three more members (Figure 2).

Jadroplov adopted their Safety and Environment Protection System (ISM) as early as in 1999, as demanded by the SOLAS Convention, to have

amended it in 2010 in line with the ISO 9001:2008 standard. Namely, on 22 April 2010, Bureau Veritas and Croatian Register of Shipping (*Hrvatski registar brodova*) awarded Jadroplov the ISO 9001:2008 Certificate. The Certificate relates to quality and safe managing bulk carriers and container ships and seamen training.

Description and analysis of implemented corporate governance mechanisms

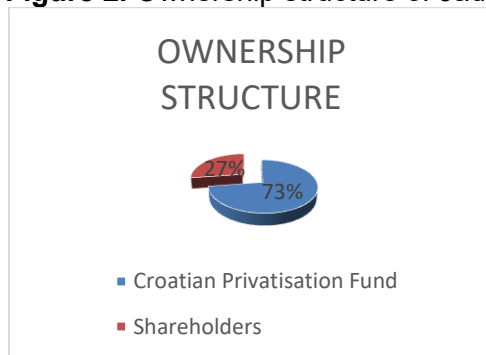
Boards and commissions

Jadroplov are applying the Codex of Corporate Governance. The company is honouring the goals, guidelines and principles of the Codex in line with the Croatian laws and regulations. The purpose of such corporate governance is securing efficient and transparent distribution of the role and responsibilities of the corporate bodies, balanced strategic supervision, management and control functions, with the emphasis on risk management and protection of assets. The Codex is published on the Zagreb Stock Exchange web site. The persons in charge of supervision are responsible about the supervision of the financial reporting process established by the Group. The auditors' responsibility about auditing the financial reports: "Our goals are to get a reasonable assurance on whether the reports, in whole, are free of materially incorrect statements resulting from a fraud or mistake, and to produce the independent auditor's report that will include our opinion. A reasonable assurance is a high level of assurance that the audit made in line with the International Auditing Standards will always reveal any materially incorrect statement."

Ownership concentration and structure

In the ownership structure of Jadroplov, the Croatian Privatisation Fund (*Hrvatski fond za privatizaciju*) are holding the majority package of 72.69% of shares, the rest being held by a certain number of legal entities and individuals as small shareholders (Figure 2).

Figure 2. Ownership structure of Jadroplov d.d. Split



Source: Jadroplov.

The company's shares are traded at the Zagreb Stock Exchange. Future privatisation of Jadroplov should secure continuity of its trading and, at the same time, protection of all the Jadroplov's employees. Jadroplov firmly committed themselves to accept and implement their clients' needs and expectations. At the choosy shipping market only the best survive, including, for over 65 years now, Jadroplov. The long knowledge and experience of the seamen, and the adequate level of the services (including a particular emphasis on safety, safe work habits and protection of maritime environment) offered to the world's largest shipping charterers make the Jadroplov's formula of success and guarantee of the future.

Relationships with shareholders

Pursuant to the Croatian Accounting Act (*Zakon o računovodstvu*), The Board of Directors is to ensure that financial statements are prepared for each fiscal year in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union, that are to show a true and fair presentation of the status of Jadropov d.d. and its subsidiaries and their business results in the period concerned. Following an adequate research and taking into consideration the events that took place after the reporting date, the Board of Directors is justifiably expecting the Group in the foreseeable period of time to have adequate resources and, therefore, at preparing its financial statements, adopts the principle of going concern.

The responsibilities of the Board of Directors at preparing the financial statements include:

- selection and consistent application of adequate accounting policies;
- providing justified and reasonable assessments;
- acting in line with the valid accounting standards, with publishing and explaining all the materially important deviations in the financial statements; and
- preparing financial statements under the principle of going concern, except where going concern is inadequate.

The Board of Directors is responsible for maintaining adequate accounting records, that at any moment and with justified precision show the financial position of the Group. The Board of Directors is to provide the financial statements to be prepared in line with the Accounting Act. Furthermore, the Board of Directors is responsible for protecting the Group's assets and taking adequate steps to prevent and discover frauds and other irregularities.

Corporate reporting

The key elements of the internal control and risk management systems related to financial reporting include:

- adequate organisation structure at all the levels, with the distribution of duties and definitions of the levels of authority;
- internal controls integrated into the trading processes and assessments;

- making justified and reasoned opinions and assessments;
- an all-inclusive set of accounting policies and procedures related to preparing of annual financial statements in line with the International Financial Reporting Standards as adopted by the European Union.

Responsibilities of the Board and of the persons in charge of supervising financial reporting: The Board is responsible for preparing the financial reports showing a true and fair presentation in line with the EU's International Financial Reporting Standards, and for the internal controls that the Board decided to be necessary to enable preparation of financial reports free of materially incorrect statements resulting from a fraud or mistake. In preparing the financial reports, the Board is responsible about assessing the abilities of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, except in the cases where the Board intends to wind the Group up, terminate its trading or has no other realistic alternative.

Incorrect presentations may result from fraud or mistake, and are deemed material if they can be reasonably expected, individually or together with other incorrect presentations, to effect the economic decisions made by the financial report users, made against such financial reports. In line with the International Auditing Standards, the audit reports include professional assessments and the auditors are to maintain professional scepticism during the audit.

Corporate governance structure

The corporate governance structure, pursuant to the Companies Act and the Company's Statute is: Shareholders Meeting, Supervisory Board and the Board of Directors. The said documents also define their responsibilities.

The Shareholders Meetings decide on matters set in the Companies Act and the Company's Statute, including enacting the Statute, using the profits, increasing and decreasing the share capital, electing and removing Supervisory Board members, discharging members of the Supervisory Board and the Board of Directors, appointing the Company's auditors, and other tasks as set in the Companies Act and the Company's Statute.

The Supervisory Board supervises running the Company's activities and, to this end, reviews and examines the Company's ledgers and documents. The Supervisory Board submits its written supervision reports to the Shareholders Meetings. The Supervisory Board comprises five members. Normally, the Supervisory Board meets once in three months. On any important and urgent matter, the Supervisory Board may decide in meetings held in writing or by telephone.

The Board of Directors runs the Company's activities, enacts the Company's business plans and controls their implementation, and coordinates activities of the Company's particular organisational units. The Board of Directors is responsible about other information, including the Management Report and the Statement on Application of the Codex of

Corporate Governance, that make parts of the Group's Annual Report, but do not include financial reports and the financial statement audit report [14].

INSTEAD OF A CONCLUSION

This paper can be a framework how successful shipping companies can develop strategies for growth and take advantage of business opportunities.

It is essential to strengthen organization model implementation to trigger faster and to have a profitable business growth. Formal planning and control systems, as they traditionally exist in shipping companies, need to be modified to allow for such growth. Shipping companies can learn from the example of the business leaders in other fields. Capability to see new opportunities and to 'mobilize' the relevant organizational resources and the most important to know how to implement these.

This all we can find in the example of Jadroplov d.d. Due to the successful reorganisation of trading and rationalisation of expenses at all the levels, and thanks to the very favourable conditions in the global shipping market, Jadroplov can be example how to end the several years period of negative trading. Jadroplov d.d. is a company, whose shares are listed at the Zagreb Stock Exchange and applies the Codex of Corporal Governance enacted by Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. Although the company follows all good practices of corporate governance, its current business is affected by the significant market risks, due to the cyclic changes of supply and demand at the international shipping market, this being reflected in the freight levels. Because of the long crisis at the shipping market and the historically low freights that reached its lowest point in 2016, the Group is operating in the conditions of hindered solvency. Given the historically low freights in the previous period, and aimed to securing further trading, negotiations were held with the Group's creditors. This enabled maintaining a solvency level sufficient for the Group's operations. Aimed to improving the solvency, the Company have undertaken several measures. The Company has been approved their restructuring plan by the European Commission.

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COVID-19 FOOTPRINT TO TOURISM AND SMALL TOURISM BUSINESSES IN THE FIRST PERIOD OF PANDEMIC

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Abstract

Temporary suspension of travel and hospitality due to Covid-19 pandemic affected tourism sector particularly hard. One of the most affected areas were small tourism businesses, which provide essential part of the tourism services. The main purpose of this paper is to synthesise the major themes related to tourism and small businesses in this sector in the first few months of Covid-19 pandemic. Data were collected in integrative review of secondary sources published in 2020. Eleven key topics have been distilled from the content analysis: freedom of mobility, people's health, economic downturn, small tourism businesses in stress, recommendations for their survival, predictions for tourism recovery, economic measures of EU and the EU Member States to support tourism revival and rethinking the tourism. The results provide a condensed review of the events and actions of relevant institutions triggered by the Covid-19 pandemic and their consequences to tourism and tourism service providers.

Key Words

Covid-19 pandemic; tourism; small businesses in tourism; SMEs; SMTEs.

INTRODUCTION

The continued rise in the number of middle-class households, the solid growth in global consumer spending (WTTC, 2020a) and popularisation of international travel have been accompanied by the global expansion of tourism in the last decade (Niewiadomski, 2020). The year 2019 was the tenth consecutive year of sustained tourism growth with 1.5 billion of international tourism arrivals (UNWTO, 2020a) and the year when the tourism growth has continued to surpass the global economy growth by around 2.5% (WTTC, 2020a). According to projections of UNWTO (2011), by 2030, the number of international tourists should have surpassed 1.8 billion.

The increase of 4% in international tourism arrivals marks the year 2019 still as the year of the strong growth, nevertheless the 2019 growth was apparently slower compared to the exceptional growth of 7% in 2017 and 6% in 2018. The decrease in 2019 international tourism arrivals has been weighted by uncertainty surrounding Brexit, geopolitical tensions, trade tensions and the global economic slowdown (UNWTO, 2020a). The above-mentioned events indicate how sensitive tourism is to external factors in the global environment. Nevertheless, at the beginning of 2020, United Nations World Tourism Organisation (UNWTO, 2020b) forecasted the continuation of the growth in international tourism arrivals even in 2020: the growth should have been between 3 to 4%; then, the substantial downturn trend was unimaginable.

However, in the first quarter of 2020, governments around the world introduced unprecedented temporary measures to contain the Covid-19 virus. Due to a 'black swan'¹ event they restricted travel, shut-down the non-essential businesses and limited people-to-people interactions. Those measures stopped tourism flows and shut-down the majority of tourism business activities (OECD, 2020).

The more Covid-19 had been spreading around the world, the more visible has become negative effects of its economic and social 'footprint' (Fast Future, 2020). The economic fallout has caused the sharpest drop in economic activity in Europe and globally since the World War II (VOXEU, 2020). The pandemic has triggered a global economic crisis (OECD, 2020), with tourism and small businesses being hit the most (Elms, 2020).

Tourism is a complex system involving many players. The supply side of the sector is highly fragmented and diverse, covering a wide range of activities (OECD, 2020): off-line/on-line information and service providers, travel agents, tour operators, accommodation suppliers, destination managing organisations, visitor attractions, passenger transport activities, etc. Large multinational corporations operate alongside small companies

¹ According to Taleb (2007), a 'black swan' is a highly improbable event, marked by three principal characteristics: firstly, it is unpredictable; secondly, it carries a massive impact and thirdly - after the fact, generally an explanation is invented that makes the event appear less random and more predictable as it was.

(EC, 2020f). In many tourism destinations, small tourism companies are numerically dominant (OECD, 2008).

Small companies or small business entities are generally referred to as SMEs (Small and medium-sized companies), in tourism sector SMTEs (Small and medium sized tourism enterprises) (Beaver, 2005, p.286). SMEs are considered a backbone of Europe's economy, presenting around 99% of all businesses in the EU and two thirds of the total private sector employment (EC, 2020a). Globally, SMEs provide 70% jobs (ITC, 2020). Practitioners refer to them as the 'lifeblood' (Monson, 2020) or the 'heartbeat' (Gold Country Media, 2019) of the communities and economy.

In tourism, SMTEs play an increasing prominent role in several ways: in relation to the supply of tourism services, in job creation, in economic stimulus, in image creation, in balanced development of destinations, etc. (Fu et al., 2019). However, despite the fact that SMTEs form an important part of the tourism system, there has been a rather limited engagement by academics to this research field; consequently, the understanding of such organisations within tourism remains partial (Thomas et al., 2011).

Covid-19 pandemic has affected heavily the international travel, tourism demand and tourism business entities (Chang et al., 2020). Temporary closure of the most of the world's tourism destinations resulted in the closure of the majority of tourism related companies, large or small, dependent directly or indirectly on the tourism sector (e.g. air transport, cruises, hospitality, travel agencies, leisure and cultural activities, etc.) (Romagosa, 2020). Closure of tourism resulted in a sharp decrease of income in business entities in this sector and in implementation of business rationalisation measures in order to prevent permanent closure.

The current pandemic crisis has magnitude, volatility and a wholly different profile with respect to previous earth-shattering events (UNWTO, 2020a). SARS in 2002-2003, MERS from 2012, the financial crisis of 2008 (Chang et al., 2020), 9/11 terrorist attack in the USA, the tsunami in 2004 in the Indian Ocean region (Higgins-Desboilles, 2020) etc. were not of a global scale (with the exception of global financial crisis 2008). Therefore, they did not cause a widespread shutdown of travel, business and life activities (Higgins-Desboilles, 2020) as Covid-19 pandemic did. However, experiences from the past show high resilience of tourism sector (Hall et al., 2017); therefore, some analysts believe that once the worst moments will have passed, tourism will gradually returned to a certain level of normality.

There is a rapidly growing literature on Covid-19 and its economic impact (Humpries et al., 2020). The attention around Covid-19 pandemic consequences has been emerging also in social, not only in hard science (Wen et al., 2020). Thus, the increased interest is also expected in research of the crisis issues in tourism and SMTEs. However, at present, there is little published research covering both topics.

The study gives answers to two research questions:

- What occurred in tourism and in SMTEs after the Covid-19 pandemic temporary shut-down of the sector and its reopening period?

- How policy makers have been trying to support tourism and SMTEs to their revitalisation?

This paper aims to contribute to a wider knowledge on the state of tourism and SMTEs during the turbulent period of Covid-19 pandemic. It sets the ground for further research in tourism and SMTEs in the pandemic and post-pandemic world.

RESEARCH BACKGROUND

After the turn of the millennium, tourism has continued to be an important economic activity in most countries of the world. In 2019, travel and tourism direct, indirect and included impacts accounted for almost 9 trillion US\$ contribution to the world's GDP (10.3%), providing one of ten jobs in the world (330 million jobs) (WTTC, 2020a).

Moreover, tourism has been also recognised as an essential pillar of the 2030 Agenda for Sustainable Development. This sector has the potential to contribute to all of the Agenda's goals (directly or indirectly), particularly to inclusive and sustainable growth, sustainable consumption and production and sustainable use of oceans (UNWTO, n.d.).

Existing studies point out that tourism as a sector/industry has its own specifics or characteristics. They can be synthesised to the following key ones: internationalisation (OECD, 2020; WTTC, 2020a), heterogeneity (Keller, 2012), spill-over effects (WTTC, 2020a; EC, 2020f), service driven sector (Christou, 2005), interdependency of services (OECD, 2020), labour intensity (Zeng et al., 2020) and sensitivity to external events (Hall et al., 2017; Romagosa, 2020; WTTC, 2020b).

Over the years, tourism has developed a dual economy structure (OECD, 2008). In most of the leading tourism origin markets, the tourism industry is composed mainly of large companies that organise tourism to various destinations on an industrial basis. They offer standardised products and develop global strategies that enable them to make the best worldwide use of the local potential. In that case, a network of smaller specialists – SMTEs, which serve only to a small portion of the overall market, mostly support large companies.

In many tourism destinations, however, tourism services are primarily offered by the SMTEs. They amplify the powerful diversity and force for good that travel brings to the world (WTTC, 2020a). The myriad of micro and small tourism companies, deeply rooted in destination, based on local natural and cultural heritage, are often numerically dominant in terms of enterprise number, number of employees and profit (OECD, 2008). They offer high-quality experiences for tourists and bring high value-added to destinations (Romagosa, 2020). While large tourism companies benefit from standardisation and economies of scale, SMTEs can offer their clients more attractive services than larger tourism providers can. They usually address one of the key opportunities of the emerging tourism demand – personalisation of the services (OECD, 2008). SMTEs present one of the most important segments in tourism and travel sector. Statistical evidence

suggests that 60-90% of all enterprises in tourism are SMTEs (OECD, 2008).

Studies, related to SMEs and SMTEs, pointed out some major issues about the research in this field.

Firstly, despite the common reference to SMEs and SMTEs in literature, small business entities remain under-theorised and under-researched (Thomas et al., 2011). Existing research tends to describe their characteristics rather to explain how important features of these business entities might be understood. At the turn of the millennium, there were some promising signs that research trends will change, but research remains piecemeal and sporadic (Thomas et al., 2011; Walmsley, 2017).

Secondly, the shortfall in research often results in presumptions being made about small firms in particular setting, which are – when transferred to another settings – not necessarily true (Thomas et al., 2011). Consequently, some conventional wisdom related to small business has been developed, often simply repeated and referred to in academic and professional literature and in documents of policy makers. They can be grouped into the following findings: SMEs and SMTEs tend to be more vulnerable during economic crisis than larger companies are (ITC, 2020), are faced with structural and regulatory challenges and in times of economic crisis particularly suffer from difficulties in accessing funding (European Parliament resolution, 2012), have great mortality rate: only about half of the small businesses last longer than five years (Monson, 2020) etc.

Thirdly, there is no international agreement on size bands of SMEs and SMTEs. Definitions vary significantly between Europe, United States, Australia or Africa; therefore, comparative work remains problematic (Thomas et al., 2011).

Undoubtedly, SMEs play an important role in the state and world economy. They provide around 70% of jobs in countries around the world; by 2030, SMEs are expected to generate 600 million new ones (ITC, 2020). They are crucial to the US economy (Monson, 2020) and as well to the EU. 25 millions of SMEs (EC,2020b) in the EU provide two-thirds of the total private sector employment, whereas more than 30 million people in the EU are self-employed (EC, 2020a).

EU considers SMEs (and entrepreneurship) a key to ensuring economic growth, innovation and job creation (EC, 2020a). Moreover, they play an important role in achieving EU social stability, cohesion and social integration (European Parliament resolution, 2012). Due to their importance, EU institutions provides different tools for promoting SMEs growth and development under the umbrella term 'Small business – big world' (ibid.). The Small Business Act for Europe (2008) provides guiding principles to create an environment for SMEs and entrepreneurship, design rules according to the 'Think Small First' principle, facilitate SMEs' access to finance and develop a supportive legal and business environment.

For SMTEs, a special tourism business portal has been created to update them about continuous transformation of the EU tourism sector and with other tourism relevant novelties. Different programs and schemes under

the initiative Destination SMEs (n.d.) should provide SMTEs a favourable environment for growth, for improving their competitiveness and better contribution to the economy of their territory/destination.

METHODOLOGY

Data were collected, processed and presented by a combination of various research methods. The combination corresponds a) to the qualitative nature of the data, b) to a broad scope of the research, its purpose and specific goals and c) to the time-frame.

The research covers two diverse topics: tourism as a sector/industry and small business entities in this sector, both in a specific context of Covid-19 pandemic. Both topics – tourism and SMTEs - are interrelated, but conceptualised differently and mostly studied within different disciplines. Following Snyder (2019), this kind of research requires more creative collection of data than systematic or semi-systematic literature reviews. For collecting the data, therefore, the method of integrative review was applied. This methodological tool has been assessed as the best approach to get relevant data for synthesis of the existing situation, to provide new knowledge about the reviewed topics (Torraco, 2005) and to provide answers to the research questions. The difference of an integrated review compared to systematic and semi-systematic literature review is that the integrative review does not need to cover all articles ever published on the topic, but rather to combine different perspectives (Snyder, 2019).

Data were collected in an extensive desk-top research of secondary sources in July 2020. To get a relevant set of documents for further content analysis, a procedure was designed for collecting and assessing the relevancy of the documents. It included certain steps/phases, standards and guidelines taken from similar studies.

The data collection procedure includes the following steps:

- Determination of the investigation period;
- Search-engine selection;
- Key words determination;
- Selection of relevant documents (first and second refinement).

As research topics were related to the Covid-19 pandemic, January 2020 was determined as the beginning period for document selection. July 31, 2020 was arbitrary set as the last day. The search was limited to documents written in English only. Documents were searched by the following search-engines: Google, Google Scholar and e-Mega search engine of National University Library, which covers major scientific databases for collecting scientific publication.

Due to comprehensive perspective on concepts covered in the study, the search string of key words was rather broad. In the first step, key words for the search string were identified and, in the second step, synonyms for the initial keywords were added. Key words and synonyms in search engines were linked with 'or' operators. The search was based on the combination

of the following sets of initial key words and their synonyms: a) coronavirus/Covid-19/pandemic; b) tourism/travel/hospitality; c) small business/small businesses/small and middle-sized enterprises/SME/SMEs/SMTEs. In continuation, the search was repeated adding additional key words in the search string related to the most relevant issuer of potential documents (EU, UNWTO, WHO, WTTC, OECD, ITC). The search was carried out for titles, keywords, abstracts and documents of different types: scientific and professional articles, reports, regulations, guidelines, comments, opinions and discussions of the field-experts and other selected publications.

The following stage was the selection of the relevant documents. The first refinement of the retrieved documents was made after scanning their content by the researchers independently, using a set of inclusive and exclusive criteria (e.g. relevancy of the content, relevant issuer, contribution to the study). Only those documents were selected, for which researcher agreement has been reached. To keep the number of documents reasonable, the second phase of document refinement was conducted. Researchers thoroughly read the selected documents and after reaching the agreement of their relevancy, the final selection was made for further processing.

To perform a qualitative data analysis, the recommendations from Miles et al. (2014) were used on how to condense and display qualitative data. The content analysis comprised a more in-depth approach. Data extraction and data analysis within the context of this research were intertwined. The content of each document was thoroughly studied and analysed. The relevant parts of the text were labelled manually by a set of main codes, which were in the next phase of the text analysis supplemented with a subset of codes. In continuation, the labelled parts of the text were extracted and condensed according to the set and subset of codes.

The combination of condensation, comparison, compilation and description methods were used to present the findings.

RESULTS

Eleven major themes have been be distilled from the reviewed documents:

- Limitation of one of the basic human rights – freedom of mobility;
- Concerns for people’s health vs minimising disruption to travel;
- Economic downturn of tourism;
- SMEs and SMTEs in the focus;
- Recommendations given to small businesses about survival possibilities;
- Predictions regarding tourism recovery;
- Calls of international tourism institutions to governments to support tourism;
- Priorities in time of tourism restart;

- General economic stimuli and support measures of EU and governments to support tourism;
- Special support measures for SMEs and SMTEs;
- Rethinking tourism.

Limitation of one of the basic human rights – freedom of mobility

From a legal point of view, restriction to travel means violation of one of the basic human rights – free movement, and consequently, prevention of the right to participate in tourism and hospitality (Baum & Hai, 2020). Focus on health concerns and negative economic consequences of Covid-19 pandemic, puts aside a legal justification of movement and travel restriction measures.

In our modern world, the tourism experience has been viewed as an entitlement, arguably a right, conceived increasingly as a necessity, rather than a luxury (McCabe and Diekmann, 2015). As in practice, the right to tourism is still somehow privileged and not universal, the right to tourism can be considered more a form of social right rather than a fundamental human right. Yet, regardless of its nature, the right to participate in hospitality and tourism during the Covid-19 pandemic was affected on a scale unprecedented in a peacetime. Its limitation has severely challenged the assumption that we live in a mobile world.

The non-pharmaceutical interventions, e.g. movement restrictions and quarantine, first implemented in China, had been followed by similar Covid-19 related restrictions almost in all destinations worldwide (UNWTO, 2020j). In March, EU's external borders have been 'closed' to non-essential travel and all EU Member States have implemented travel restrictions often accompanied by requirements for cross-border travellers to stay in quarantine (EC, 2020f). It seemed that the governments simply used the 'copy-paste' principle, without severe consideration or epidemiologic status in a certain state. A debate about the proportionality of the movement restrictions of people compared to the seriousness of the health danger due to the new virus has not been over yet.

In May 2020, three quarters of the states on the globe still had their borders closed for international tourism (UNWTO, 2020j). The gradual re-opening has occurred in June (OECD, 2020).

While travel and tourism are contributors to disease spreads, a relationship between epidemics/pandemics and travel undoubtedly exists (Gössling et al., 2020). Therefore, dilemmas, how to balance the economic and social life with the spread of the virus and not to limit basic human rights (too much), remain a major concern of international institutions and governments.

Concerns for people's health vs minimising disruption to travel

At the outbreak of Covid-19 in China, UNWTO (2020i) emphasised that the tourism sector 'must put people and their wellbeing first'. Even when the World Health Organisation (WHO) declared the outbreak of Covid-19 to be a public health emergency of international concern, both institutions

declared that tourism's response needs to be measured, stay proportionate to the public health threat and based on local risk assessment (UNWTO, 2020n). Neither UNWTO nor WHO proposed stopping the travel.

Later, when faced with the seriousness of the Covid-19 challenge, UNWTO (2020k) changed its initial standpoint and officially put the public health as priority. It launched the campaign *#Travel tomorrow* and called for cooperation with WHO: to respect its health measures in ways that minimize unnecessary impact on international travel (UNWTO, 2020c). Some new terms and slogans encouraged people to minimize the travel, e.g. *'staycation'* instead of vacation (Elliot, 2020) or *'stay home to travel later'* (UNWTO, 2020b).

Appeal of UNWTO to travellers/tourists that *'by staying home today, we can travel tomorrow'* expressed the call of UNWTO for shared responsibility to deal with the Covid-19 pandemic and for standing in solidarity with effected countries (UNWTO, 2020m). Yet, UNWTO (2020m) did not stop highlighting that the public health measures needed to be implemented in ways that minimise any unnecessary disruption to travel and trade.

Economic downturn of tourism

In March 2020, tourism activities largely decreased due to international travel bans, widespread restrictions on public gatherings and community mobility. International, regional and local travel restrictions immediately affected national economies, including tourism segments as air transport, cruises, public transport, tourist accommodation, cafes, restaurants, conventions, festivals, meetings, sports events, etc. Given the immediate and immense shock to the sector, pandemic has triggered an unprecedented crisis in the tourism economy (OECD, 2020). Virus has affected all parts of tourism value chain and tourism supply chain (Gössling et al., 2020).

Since the virus outbreak, prospects for 2020 tourism have been downgraded several times. Up to May, the pandemic consequences to tourism were estimated to be three times that of the 2008-2009 Global Economic Crisis (UNWTO, 2020f). Only in May, the international tourist number fell 98% compared to the same month of the previous year. UNWTO reported a 56% year-on-year drop in tourist arrivals in the first five months of 2020. There was a 96% decline in booking to Europe across all subregions over the period of January-May 2020 compared to the same period of the previous year (ETC, 2020). Revised estimates of the COVID-19 impact pointed to 60% or even to 80% decline in international tourism in 2020 (UNWTO, 2020e). Worldwide, a sharp decrease in the number of international tourists could translate into a loss of 850 million to 1.1 billion international tourists, 910 billion to 1.2 trillion US\$ in export revenues from tourism and a 100 to 120 million direct tourism jobs at risk (UNWTO, 2020e).

As for destination distribution, in April/May 2020 the biggest decline was seen in Croatia (-86%) and Cyprus (-78%), reflecting the losses of their key resource markets (Italy and the UK). A less pessimistic picture shown for the Western Europe (ETC, 2020). According to industry estimates, revenue

losses at the European level have already exceeded 50% for hotels and restaurants, 85% for tour operators and travel agencies, 85% for long-distance rail and 90% for cruises and airlines (EC, 2020f).

SMEs and SMTEs in focus

The impact of the Covid-19 related economic crisis has been felt through the entire tourism ecosystem – to tourism subsectors, firms and destinations; however, some parts of the sector have been more affected than others (OECD, 2020). Scholars, practitioners and policy makers agree that small businesses have been affected the most (Elms, 2020; OECD, 2020; Romagosa, 2020), while they are particularly vulnerable to the repercussions of the crisis (ITC, 2020).

As the companies, small in scale – SMTEs - are numerically dominant in the tourism, they have been hit twice by Covid-19 pandemic: as operating in the most affected sector in the Covid-19 crisis and as being small. Moreover, the interdependent nature of tourism services offered by SMTEs causes those entities additional issue – the crisis in one sub-sector (e.g. in aviation) can have follow-up effects on the whole tourism value chain (OECD, 2020).

The period over which SMTEs can survive the shock of temporary closure of the business and loss of almost all income, is likely to be shorter than for large firms² (OECD, 2020). The statement is supported by the results of the ITC (2020) study³ according to which in Covid-19 pandemic business operations of two-thirds of SMEs were strongly affected compared to about 40% of large companies. According to some estimates, over half of them might not survive the following few months.

Derderian (2020) pointed out that the government, public health and economic responses to Covid-19 pandemic are tremendously different if one runs a small business in the USA or in Europe. Moreover, the destiny of SMEs depends also on the industry the SME is in: e.g. online shopping, food delivery, video gaming or video conference industries where the businesses that were booming during the Covid-19 closure time. However, if a SME was running the business in tourist accommodation, restaurant, retail, entertainment or sport, the situation was very different. In those sectors - if they manage to survive - small businesses should be ready to lose 50 to 80% of their turnover and valorisation.

ITC (2020) study (from April) shows that one third of 'smalls' are at risk of shutting down permanently within the following three months. In accommodation and food services, three quarters of surveyed firms said that partial or full lockdown strongly affected their business operations (ITC, 2020). Another survey, conducted in USA on approximately 86,000 people,

² The statement that the larger enterprises may have more wriggle room compared with small ones could be challenged by the collapse of the giant Thomas Cook in September 2019 (Romagosa, 2020). However, the Thomas Cook circumstances that caused its bankruptcy cannot be compared to the loss of income due to COVID-19 temporary closure of tourism business.

³ The survey gathered evidence from 4,467 companies in 132 countries (ITC, 2020).

who own, manage or work in SMEs (from April 2020, exercised by Facebook /2020/ in cooperation with World Bank and OECD), revealed that one third of small businesses had to close the door due to pandemic and were facing uncertain future. Their biggest challenges were the shrinking demand and access to capital. The situation was even worse for those small businesses run by self-employed or for personal income. More than half of them had stopped operating⁴. In personal business sector 52% of them shut down; in hotels, cafes and restaurants 43% (Facebook, 2020). Some small businesses applied for governmental support, although they were less informed about the possibilities what could help their business (Humpries et al., 2020). Yet, the majority of them advocate the standpoint that no amount of stimulus money could replace a functional business. Additionally, owners-managers of those small businesses that managed to continue operating struggled the balance running a business and caring for their households.

Although smaller firms are more likely to adopt agile responses to the crisis than the larger ones, they have – at the same time – tended to adopt retreating strategies more than the bigger ones (ITC, 2020). While big companies can afford to stay put and be resilient, small companies must adapt in an agile manner or collapse.

Recommendations given to small businesses regarding how to survive

In the first days of pandemic, small businesses responded in a similar way: they took steps to protect the employees and customers against infection and communicate with clients about the status of their business (ITC, 2020). In continuation, they followed with a strategy of resilience, scaling down or adjusting the business temporarily.

Several recommendations have been published for small businesses with regard to survival possibilities. The most common advice was related to securing the liquidity for the business and for managing cash according to the “Cash is King” rule (ITC, 2020; Monson, 2020). Predicting how much money they need to ‘stay alive’ during to the coming 18 months, if and how to find a new source of revenue and cost-cutting should be one of crucial steps of survival strategy (Derderian, 2020). Managers should lay-off staff if necessary, revise cancelation policy, apply for government and commercial assistance, etc.

Another important approach to staying in business should be rethinking the existing products or services and their redevelopment to adapt them to the future needs of the market (CBI, 2020; Derderian, 2020). Implementing the technology (if possible) that might help to do the business and talking to the most valued customers to find out what they like might be of help in this process.

Elms (2020) highlights that the problem of decreased demand in tourism should be attacked by creative thinking. Small tourism businesses need to

⁴ Due to a great mortality rate of small business, Marks (2020) wonders how many of them would have closed their 'door' anyway, without Covid-19 crisis.

be present online. They might temporarily create and sell unique products that reflect their location to remind future tourists about their future travel plans. Furthermore, they could offer virtual walking “tours” to attract more local tourists.

As no crisis is limitless, small businesses can always ‘undertake something’. Owners certainly need to plan what they need to change in their business and what new growth opportunities may exist in the post-pandemic world (Derderian, 2020). New ways of life will definitely produce new needs that might be new opportunities for small businesses. New models and new offers related to dematerialisation need to be invented in the coming period, while the ‘new king’ of the world will probably be the “Amazon of dematerialisation” (Elms, 2020). The examples of excellent outcomes from previous crisis are some of the most disruptive and interesting companies that have been created after 2001, such as Google, eBay, and after the 2008 crisis, such as Uber, Airbnb, Instagram and WhatsApp after the 2008 crisis (Derderian, 2020).

Predictions for tourism recovery

After the Covid-19 lockdown, several speculations about travel and tourism recovery popped-up. Some early optimistic beliefs that travel will come back quickly (Elliot, 2020) have been soon proved unreal. The prevailing general belief was that tourism would recover as always had after previous crises. The pace of the recovery stayed rather unknown, while the Covid-19 consequences have been much different and transformative as the consequences of the previous crisis have (Hunter, 2020). There were some predictions that the price of cruises and hotel rooms would drop, potentially airfares as well, that tourists might feel safer in hotels than in vacation rentals. It will be interesting to monitor the future to see what is actually going to happen. However, the logical way in tourism recovery should be a strong commitment to sustainability (ibid.).

Some expert surveys suggested that the signs of tourism recovery should be seen within the year 2020, but mostly in 2021 (UNWTO, 2020e), for international tourism in the second half of the 2021 (UNWTO, 2020f). Specific geographic regions – e.g. countries in the European Union – should rebound first (OECD, 2020). It was expected that European tourism would remain below 2019 levels until 2023. Job losses in European tourism sector in 2020 could range between 14.2 million to 29.5 million (ETC, 2020).

Based on experience from previous crises, it has been predicted that domestic demand should recover faster than international demand and leisure travel quicker than business travel (UNWTO, 2020e). As domestic tourism accounts for 75% of the tourism economy in OECD countries, domestic tourism should be a driving force for tourism recovery, particularly in areas where the sector supports many jobs and businesses. Yet, the countries depending on international tourists will probably recover slowly (e.g. Montenegro with 3.5% of domestic travellers) than those countries where domestic travellers have a significant share in tourism (e.g. Germany with 74% of domestic travellers) (ETC, 2020). However, it is

unlikely that domestic tourism could compensate for the decline of international tourism flows (OECD, 2020). Apart from domestic travel, short-hall travel should be the second main market to drive tourism recovery (ETC, 2020). While our daily life is still containing the virus, it cannot yet be clear, when the full return to tourism activities will be possible (OECD, 2020).

The first signs of a gradual upward trend in tourism appeared in the EU, following the opening of borders across the Schengen Zone in June and July. Some destinations started with innovative solutions, e.g. travel 'bubbles' among Baltic countries, air corridor Germany - Spain) and boosted domestic and intra-European travel (ETC, 2020).

Despite the fact that tourism have been returning to some destinations, the confidence index had dropped to record low (UNWTO, 2020f). Safety concerns associated with travel, the resurgence of the virus, risks of new lockdowns and a deteriorating economic environment are those factors weighting on consumer confidence (UNWTO, 2020f).

Calls of international tourism entities to governments for supporting the sector

Due to tourism standstill, millions of livelihoods that depend on tourism income had been put at risk. Therefore, UNWTO recommended the states to restart the tourism as soon as it was safe to do so. It called on governments, international organisations and agencies to include the tourism as a priority in their recovery plans and actions (UNWTO, 2020f); moreover, they should support tourism as a pillar of economic recovery (UNWTO, 2020g).

In the EU, the European Tourism Manifesto (2020) alliance demanded urgent supportive measures in March 2020 to reduce devastating impact of Covid-19 to tourism sector. The members proposed temporary state aid for the tourism and the travel sector from the national governments, fast and easy access to short and medium-long term loans to overcome liquidity shortages, fiscal reliefs, concern for SMTEs, protection of workers from unemployment, etc.

For formulating a sector's wide and unite response to the challenges of Covid-19 pandemic, UNWTO established the Global Tourism Crisis Committee - GTCC (UNWTO, 2020d). In April, GTCC released a set of global recommendations for government actions to support jobs and economies through tourism. Recommendations have been focused to three key areas: 1) mitigating the impact on employment and liquidity of tourism enterprises; 2) protecting the most vulnerable and 3) preparing for recovery (OECD, 2020). Later, when UNWTO focused on restarting tourism (in May), GTCC issued Global Guidelines to Restart Tourism (UNWTO, 2020d).

Communication of UNWTO (2020h) to governments about priorities for tourism recovery emphasised several areas: providing liquidity for tourism suppliers, protecting jobs, recovering confidence in tourism through safety and security, opening borders with responsibility, harmonisation and

coordination of protocols and procedures, enhancing public-private collaboration for an efficient reopening, innovation and sustainability.

Priorities for tourism revival

When tourism had been slowly restarting in an increasing number of countries (from beginning of June), the emphasis of the states was transferred from border lockdown to a need for a tourism reviving in a responsible way. Some international tourism institutions, e.g. UNWTO and WTTC, issued guidelines and recommendations for states and tourism suppliers.

The UNWTO (2020i) guidelines included two major spheres of activities: firstly, safe and seamless border management for air, sea and ground travel; and secondly, safety and hygiene protocols for hospitality, tour operators and agents, meeting and events providers, attraction and thematic parks and destination management. "Safe Travel" protocols of WTTC (2020b) meant to provide consistency to destinations and countries, and additionally - similar to UNWTO - guidance to new approach to health and hygiene in the post Covid-19 world for travel providers, operators and travellers. The protocols cover hygiene regimes and operations, define roles for the staff, determine the physical distance for the travellers, minimise the touch points, determine communication, etc.

EU guidance and recommendations for their Member States were focused on how to: a) safely restore free movement; b) reopen international borders, transport, connectivity and tourism services; c) address the liquidity crunch and d) rebuild customers confidence (EC, 2020f). The document highlighted that until a vaccine or treatment is available, the needs and benefits of travel and tourism must necessarily be weighed against the risk of facilitating the spread of the virus and a resurgence of cases. The latest could require a reintroduction of some confinement measurement.

Additionally, European Commission (EC, 2020d) has launched a special web platform to support a safe relaunch of travelling and tourism across Europe. The platform provides useful real-time information for potential travellers to particular Member states (e.g. on travel restrictions, available means of transport and tourism services, public health measures, e.g. physical distancing or wearing of facemasks, etc). Stimulating tourism demand with new safe and clean labels for the sector, information apps for visitors and domestic tourism promotion campaigns should be some of the crucial areas of the governments worldwide to restore travellers' confidence (OECD, 2020).

EU has made a major difference in approaches to dealing with the new virus compared to the restrictions implemented in the beginning of the pandemic. Instead of general prohibition, the EU Member States should take targeted measures to control the virus. Moreover, EU should try to ensure that the measures taken by the individual Member States would be compatible, coordinated and mutually accepted to cross the borders and between regions. One of those coordinated actions should be a common list of countries for which travel restrictions can be lifted, agreed by EU

Member States. The list should be reviewed on a regular basis, respecting the epidemiological situation and coronavirus response in particular country (EC, 2020e).

General economic stimulus and support measures of EU and governments to help tourism businesses

In early stage of the EU economy and borders lockdown European institutions have already launched a number of measures to support EU economy, e.g. investment packages aimed to support Member State responses to the pandemic, healthcare operators, SMEs and the companies in the most affected sectors - including in hospitality and tourism (COVID-19 Review, 2020). Corona Response Initiative has made €37 billion available for crisis response. “Temporary Framework” (2020a), issued in March, allowed EU Member States to provide five types of aid to support the country’s economy, e.g. direct grants, tax advantages, state guaranties for loans taken by companies, subsidized public loans, safeguards for banks that channel state aid to real economy, etc. The following amendments to the main document allowed Member States to give companies additional benefits, e.g. zero-interest rate loans, targeted deferrals of tax or suspension of social security contributions, wage subsidies, support to Covid-19 research, providing subordinate debt, recapitalisation aid to companies in need, support SMEs in financial difficulties, etc. (Temporary Framework, 2020b). Additionally, the Commission adopted an instrument to mitigate unemployment risks (SURE, 2020). The document determines a short-time work scheme designed to reduce the working hours to employees with the purpose of providing them with income support for hours not worked.

Tourism sector has been greatly benefiting from the general economic stimulus and support measures of EU and governments of particular countries. Additionally, many countries have introduced tourism-specific measures to address immediate impact on the sectors and to facilitate the recovery. Fiscal reliefs to tourism business are being supported through exceptional legislation and rule changes (e.g. to offer tourists vouchers instead of cash refunds, to grant tourism vouchers to the citizens to stimulate the tourism demand). It was emphasised that those measures needed to be consistent and complementary to general economic stimulus packages and should include support measures for SMEs (OECD, 2020).

Additional support to SMEs and SMTEs

Governments around the world acknowledged that SMEs act a “lynchpin”, connecting pandemic to broader economic recession (ITC, 2020, p. xv). As the widespread collapse of SMEs could have strong impact on national economies, on global growth prospect and on tourism economy (OECD, 2020), SMEs have to be ‘on the front line’ of the economic ramifications of the pandemic (ITC, 2020). Therefore, countries have been – and still are – rushing to strengthen them. They have been building various financial buffers that could contribute to increased SMEs resilience (ITC, 2020).

As liquidity of SMEs and SMTEs was one of the immediate economic consequence of the Covid-19 pandemic, it was essential to support them with adequate liquidity funds (EC, 2020c). In order to bring immediate cash relief to SMEs, European Investment fund provided around €8 billion of financing to at least 100,000 SMEs. Furthermore, 1 billion € was unlocked under the COSME⁵ programme. Financial support through COSME programme includes provision of long-term working capital loans, credit holidays for delayed repayments of existing loans. Additionally, EU countries, national promotional and commercial banks have been putting measures in place for adversely affected SMEs (EC, 2020b).

However, there is a risk that government support, even when available, may be insufficient, late or inadequate to replace lost revenues from collapse in demand (Elms, 2020). Furthermore, protecting small businesses means not only giving money to them, but also blocking anticompetitive mergers and acquisitions when the crisis is over (Lopez, 2020). It might help if the new SMEs strategy fits into the general recovery strategy and considers broader view of small businesses support (EC, 2020a).

Opportunity for rethinking tourism

With COVID-19 pandemic, the unthinkable has happened in tourism: places that have been welcomed tourism phobia in pre-pandemic period (Romagosa, 2020), have moved from over-tourism to 'non-tourism' within a month (Gössling et al., 2020). Some of the most fascinating images of popular tourism sites before and after Covid-19 pandemic in the newspaper articles, TV news, blogs etc. gave a clear picture of how travel restrictions and lockdowns have left tourist-filled hotspots (tourist attractions, towns, beaches) empty (Holthman, 2020).

According to some scholars (e.g. Desmond, 1999; Higgins-Desboilles, 2020), tourism has a power to reshape history, culture, nature and tradition. Therefore, the Covid-19 pandemic may be viewed as a historic transformative moment for tourism.

Higgins-Desboilles (2020) advocates that the pandemic offers a potential to transform tourism sector and the context in which it operates. The states could, for instance, choose to prefer the local business entities to multinationals and promote small to medium tourism enterprises, which should be a substantial part of sustainable tourism. For Romagosa (2020) sustainability is one of the basic steps in making far-reaching structural changes in the sector. COVID-19 challenged us to think about the unsustainability of travel and tourism in the pre-crisis level of and opt for de-growth strategies. The latest should be especially important for oversaturated destinations suffering before pandemic from 'over-tourism', but after pandemic dealing with completely opposite concern - under-tourism (ibid).

⁵ COSME is abbreviation for Competitiveness of Enterprises and Small and Medium-sized Enterprises.

As the tourism is returning practically from zero, Brouder (2020) argues that the pandemic situation in tourism could be an excellent opportunity to rethink the new path of the sector. Destination management organisations can start to take regional approach to motivate people to turn their attention to the often downplayed domestic and nearest neighbour markets. Additionally, an unprecedented turbulence in tourism small businesses could happen: many long-standing businesses might disappear and the ones with new focus might emerge. As the current crisis has been accelerating the digital transformation of the tourism sectors, new digital solutions might have been developed by SMTEs, e.g. to create 'live remote' tourism, virtual tourism experiences, etc. (OECD, 2020).

Although the possibility of tourism general transformation is low (Brouder, 2020), it has been obvious that during the pandemic time people have to face new ways of 'being-in-the-world'. Living in the world, where touching things, being with other people and breathing air in the closed space with others can be risky, could change our 'doing-in-the-world' (Politico Magazine, 2020). Therefore, the future of a "new normal" (ITC, 2020, p. xi) will be most probably characterised by the following four long-term major trends (ETC, 2020; ITC, 2020):

- An emphasis to resilience to shocks (to be prepared for future threats);
- Embracement of digitalisation opportunities (the virus has shown the power of the technology in the concept of crisis; the tourism sector, traditionally characterised by human interaction, now provides the same valuable intangible aspects through more touchless methods and a more digitalised world);
- Greater inclusiveness (to provide decent jobs and social protection for all) and
- Sustainability.

DISCUSSION

The study highlights major events, measures and consequences of Covid-19 pandemic presented in the literature related to tourism and its most vulnerable part – small businesses in the first few months of the Covid-19 pandemic. The tourism sector has been one of the crucial economic sectors worldwide for years. It provides jobs for millions of tourism suppliers and providing experiences to millions of travellers. With the temporary restriction measures of governments – closing the borders and shutting down the tourism businesses, the sector and the suppliers of its services have been put under tremendous shock. Tourism businesses temporary stayed without customers and revenues; moreover, travel and tourism are still unpredictable activities. Small tourism businesses that play a prominent role in many tourism destinations and form an important part of the tourism system are severely affected. The results of the research present a synthesis of the key themes related to tourism sector and small

tourism businesses in the above mentioned context during the certain period of time.

There is no doubt that global travel restrictions and 'stay-at-home' orders of governments have caused the most severe disruptions in our personal lives and global economy since the World War II. Protecting people's health might have been a reasonable ground for drastic temporary limitation of some basic people rights (free movement, performance of economic activities, etc.) and the right to travel. Alternatively, those measures might be a consequence of incompetency of the governments to face the current health crisis adequately. In the 21th century, it is almost unimaginable that the governments curtail the virus with the same measures that most governments did centuries ago when dealing with similar health crises. Protests in several EU countries and around the world and actions brought to courts against governments indicate that the judgement on eligibility of repressive governmental measures is far from being ended.

The results point out that the temporary shutdown of travel and hospitality and travelling in a 'new normal' later on, have dramatically decreased the tourism flows. UNWTO estimated that in 2020 tourism decline in international tourism might be 60 or even 80% compared to the previous year. The most exposed countries are the ones with higher share of international tourists (e.g. island countries, in EU: Croatia, Cyprus, Spain, Italy, etc.). One billion less tourists could put around 100 million direct tourism jobs worldwide at risk. At the European level, job losses in tourism sector could reach 30 million. Impact of Covid-19 crisis on tourism might be three to five times that of the global financial crisis.

From June 2020 on, countries gradually opened their borders, but the travel has not become seamless yet. Countries have been implementing multiple approaches to adapt 'normal' travel practices to the current circumstances. However, the majority of states has still kept temporary restrictions to travellers from particular countries depending to their epidemiologic situation (e.g. covid-19 test requirement, quarantine). Furthermore, as tourism suppliers operate with limited capacity (e.g. decreased number of flights, closed hotels and other hospitality facilities), it was challenging to connect all interlinked parts of tourism supply chain working together again. Closing the tourism businesses seemed to be much easier than their reopening.

The fact that even several safety and hygiene protocols, implemented by tourism suppliers, cannot increase the consumer confidence in travel behaviour is worrying, but understandable while the virus is still present. As tourism flows are a potential vector for spreading the virus, negative sentiment towards travel may remain until a vaccine is discovered. With virus still circulating, governments have been constantly challenged by balancing measures to limit the virus circulation and coordinating policy action at the local, national and international level. They tended to protect people while minimising job losses and business closures.

During the pandemic, governments have responded quickly to economic crisis and supported the economy and tourism with various financial

packages and other economic stimuli. However, due to the interlink of tourism with economic⁶ and health crisis, it is expected that tourism recovery to the pre-pandemic situation should be gradual and last at least until 2023 to reach the 2019 level. Domestic tourism and leisure tourism should recover first, but it is unlikely that they could compensate the loss of the international tourism. As tourism has been known by their resilience, it is likely that many tourism activities will resume. Travel may not be the same, but will not vanish entirely.

The results of the study expose that in highly demand driven tourism sector, significantly decreased demand in travel and hospitality has put at risk the existence of many tourism suppliers, short and long-term. It is widely assumed that impacts of the pandemic were greater to small business than to large companies. According to some expert estimates, one-half of small business in tourism might not survive. Therefore, the decision of national governments to put small businesses as one of the priorities of the economic ramification of the crisis was a wise decision. If not, their widespread collapse could strongly affect the national economies, global economic growth and tourism growth. In EU, for example, some special programmes and parts of the 'EU temporary framework' have been particularly focused to provide liquidity and fiscal reliefs to businesses that operate on a smaller scale.

Subsequently to government support, several recommendations have been published to support small businesses survival, e.g. focusing on liquidity, cost cutting, staff lay-offs if necessary, talking to major customers, rethinking the existing products or services, implementing more technology, applying for governmental help, finding new growth opportunities, etc. As Covid-19 may produce new needs, these needs might be opportunities for small tourism businesses.

After being shut down, small tourism businesses have reopened to the world reshaped by the Covid-19. New ecosystem will significantly influence whether they 'sink or swim' in the 'new normal'. Those that will stay in business will have to be part of the sustainable and digitalised tourism future.

It is predicted from the results of this study that the socioeconomic changes in the new normal will probably have a significant impact on tourism that we know. The mobility, socialisation and consumption patterns, leisure and work, and other dimensions of social life may as well change. From this point, the Covid-19 pandemic may be viewed as a historic transformative moment for tourism. Europe used to be the world leading tourist destination in terms of value, quality, sustainability and innovation; the ambition of EU is to stay in this position in the future. At the core of this ambition are sustainability and digitalisation. Within this transition, SMTEs will need particular attention.

⁶ Nouriel Rubini predicted that from the economic point of view the current crisis would be even greater than was the one in 1929. It will take years from now until the full extent of the crisis becomes visible (Bartz, 2020b). Rubini is one of the best-known economists in the world. He was one of the few who predicted the real-estate bubble in the USA and the resulting financial crisis in 2008. He was also among those who warned early on that Covid-19 would cripple the economy (Bartz, 2020a).

Some limitations related to this study need to be mentioned. The first one is subjectivity of the researchers, which commonly accompanies the collection, selection and analysis of the non-numerical data. To minimise this limitation, researchers performed most of the steps of individual methods independently, compared the results and proceeded to the next step after consensus had been reached. The second limitation relates to the limited number of documents available on the research topics and their quality. In academia, some of the resources used in this research might be characterised by the term 'grey literature' or papers 'more driven by the practice than research'. However, the fact is that there have not yet been many studies on the topic. Furthermore, the available documents and studies are related mostly to two geographical areas – USA and EU, while other parts of the world remain uncovered, which is an additional limitation. Another limitation is the obsolescence of some numerical data at the time of (potential) publication of the study. The time difference between collection of data and publication of the results might be of importance in studies that try to give real-time information. The latest should apply also for this study. Yet, due to the time-frame for the revision process in academic studies the limitation cannot be circumvented.

The study is an initial step to the longitudinal research regarding both topics. As the Covid-19 pandemic is going on, it will be urgently needed for academia to monitor further evolvment of the events and consequences of the crisis to the tourism sector and small tourism businesses. Further studies could provide a more critical view on the consequences of the governmental restriction measures to tourism. Furthermore, the efficiency of the state support measures for the revival of tourism businesses would be assessed with better accuracy as at the present. The comparison between predicted downturn on the macro and micro level of tourism might give a more accurate assessments of future scenarios for small tourism businesses survival and tourism flows from international and national perspective. The priority of further studies should be on tourism and tourism small business on the national level.

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