EXPORT MARKETS AND TYPES OF INTERNATIONAL MARKET(ING) COOPERATION OF TOP SLOVENIAN EXPORTERS: HAS THE CRISIS TAUGHT US NOTHING?

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Abstract: The article analyses geographical concentration, foreign market entry modes and selected types of international market(ing) cooperative behaviour of a sample of top Slovenian exporters. The authors presume that, due to (special) characteristics of the Slovenian national character (e. g. namely individualism/collectivism and monochronism), the internationalisation behaviour of Slovenian exporters is based on geographical and cultural proximity of foreign export markets. Within these markets, companies' autonomy is larger, because cooperation is not a *conditio sine qua non*, but more an option. The empirical results support the authors' presumptions. Firstly, Slovenian companies mostly operate in a geographical radius of about 1,500 km, focusing especially on EU-27 and Ex-Yugoslav markets. Secondly, the key motives for internationalisation are *client following*, followed by *domestic market replacement* (*small domestic market*) and *risk spreading (risk aversion)*. Furthermore, the export (product) portfolio of Slovenian top exporters mostly bases on products instead of a balance of products and services. This is apparent in the domestic market, and even more so on foreign markets. In addition, the internationalisation motives of the sample export companies are most often complemented by lower levels of contractual foreign market entry modes (e. g. contract manufacturing). Thirdly, Slovenian companies are reluctant towards a *joint appearance on foreign markets with other Slovenian or even foreign companies* and display a very low degree of coordinated market(ing) behaviour with other Slovenian companies. This can be explained by a high level of within group collectivism and low degree of between group collectivism in the Slovenian national culture character. And lastly, at the corporate level, sample companies lack tendencies to include the whole value chain in formulating corporate and marketing-level strategies, often only including customer, and to lesser extent suppliers, distributors and other publics (e.g. media, local environment, etc.).
It must also be noted that all the above-mentioned characteristics of the Slovenian sample exporters may also be linked to Slovenia's position within Ex-Yugoslavia and its gradualist transition to a market economy. In particular, a strong drive towards EU

harmonisation and the absence of a severe shock to the Slovenian export economy after the disintegration of Ex-Yugoslavia (with the overnight loss of the 22 million Yugoslav market) all contributed to the self-complacency of Slovenian exporters in terms of geographical, industry and product diversification. Furthermore, the influence of socio-cultural determinants (e. g. national character) should also not be omitted in understanding the economic and market(ing) behaviour of Slovenian exporters.
The results of our study on a sample of 81 top Slovenian exporters show that there is a necessity to enhance cooperative and collaborative behaviour among Slovenian companies, especially in the field of international market(ing) cooperation, which can sustain the achievement of companies' economies of scale and scope. Furthermore, Slovenian companies should be more proactive, meaning more courageous and aggressive, when entering and operating in foreign markets. Therefore, they should divert from traditional (EU-27 and Ex-Yugoslav) export markets towards emerging markets and global market nieches that play an important role in the world economic structure. At the same time, Slovenian companies have to be able to switch to higher levels of contractual entry modes, as well as towards more complex, cooperative and market(ing)-oriented behaviour with other Slovenian and foreign companies.
Key words: export orientation, export cooperation, international marketing, Slovenia

IZVOZNI TRGI TER IZBRANE OBLIKE MEDNARODNEGA TRŽENJSKEGA SODELOVANJA VODILNIH SLOVENSKIH IZVOZNIKOV: ALI NAS KRIZA NI NAUČILA NIČESAR?

Povzetek: Pričujoči članek analizira značilnosti izhodne internacionalizacije slovenskih podjetij – geografsko in proizvodno koncentracijo, načine vstopa na tuje trge in trženjsko delovanje na teh trgih. Analiza temelji na vzorcu 81 podjetij, ki so sodelovala v raziskavi.
Avtorja na začetku članka izpostavljata, da zaradi posebnosti slovenskega nacionalnega značaja (nagnjenosti k individualizmu) slovenska podjetja mednarodno poslujejo na trgih, ki so jim tako geografsko kot kulturno blizu zaradi tega, ker so na teh trgih bolj suverena in lahko delujejo samostojno, brez nujnosti poslovnih povezav.
Rezultati ankete, ki je bila izvedena med 81 podjetji, to tezo dokazujejo, saj ugotavljajo, da:

a) večina slovenskih podjetij posluje v premeru 1500 kilometrov, s posebnim fokusom na trge nekdanje Jugoslavije, EU27 in držav SND;
b) so ključni motivi za delovanje na tujih trgih (i) sledenje strankam, (ii) nadomeščanje (majhnosti) domačega trga ter (iii) razpršitev tveganj;
c) portfelj najpomembnejših slovenskih izvoznikov temelji na proizvodni strukturi, namesto da bi kombiniral proizvodno in storitveno strukturo;
d) slovenska podjetja na tujih trgih redko nastopajo skupaj z drugimi slovenskimi ali tujimi podjetji oz. je kakršnokoli njihovo sodelovanje v okviru trženjskih aktivnosti z drugimi podjetji na zelo nizkem nivoju.

Avtorja vse te ugotovitve pojasnjujeta predvsem s posebnostmi slovenskega nacionalnega značaja, ki podjetja spodbuja k avtonomnemu nastopanju in se izogiba kolektivni aktivnosti podjetij. To se kaže tudi v aktivnostih znotraj korporativnega pozicioniranja podjetij, kjer podjetja v svoje odločitve ne vključujejo vseh delov dobavno-potrošniške verige, temveč njihovo odločanje temelji predvsem na željah in okusih potrošnikov, manj pa na posebnostih dobaviteljev.
Končno avtorja ugotavljata, da bi morala slovenska podjetja bolj intenzivno sodelovati med seboj kot tudi z drugimi partnerji in s tem dosegati večje ekonomije obsega in sinergij, še posebej na področju trženjskega upravljanja. Prav tako pa morajo podjetja postati »bolj drzna« pri vstopu na tuje trge, še posebej z zasledovanjem strategije niš, ki je za podjetja iz male države ključna strategija dolgoročnega uspeha.
Ključne besede: orientacija izvoza, izvozno sodelovanje, mednarodno trženje, Slovenija

1. INTRODUCTION

The current financial and economic crisis confirmed that small (and open) economies are less resilient to outside economic changes. Within the EU-27, 2009 was the worst year for small states like Estonia, Lithuania and Latvia that encountered a decrease in GDP growth upwards of 10 per cent, followed by Iceland and Slovenia where the fall was around 8 per cent. The fall of GDP growth in the listed states can be attributed to the share of export/import in their GDP structure. Export in these states represents a large share in their total GDP. Furthermore, geographical, industry and product structures of these states' exports are relatively undifferentiated. The export concentration is mostly based on geographical proximity of key trade partners.

The purpose of this article is to analyse the behaviour of the Slovenian export economy on a sample of 81 top Slovenian exporters. We argue that the gradualist transition from a planned to a market economy has not changed much, because a large extent of Slovenian internationalisation is still based on geographical and product concentration, as well as a limited degree of diversification. This is, on one hand, determined by socio-cultural characteristics of Slovenian companies, while on the other hand this also influences the behaviour of Slovenian companies in their entry to new markets. Our hypothesis is that a high level of risk-aversion (a relevant component of the Slovenian national character) hampers Slovenian export companies to take up the challenges and changes offered by international business environment. This may be the reason why the outward internationalisation of Slovenian export companies is based more on push-based rather than on pull-based factors. Such conservative positions lead to the fact that Slovenian companies internationalise in markets of geographical proximity (where they know the market and consumer particularities), with a limited set of products and a low degree of services in their value offers.

The framework of outward internationalisation also determines the foreign markets entry modes. If the driving gear of companies' internationalisation is 'smallness' of the domestic market or the spreading of risks, companies will internationalise in modes that grant gains and reduce risks. Even more, companies will decide for entry modes, which allow higher shares of control, without taking large risks. Next to export, contract manufacturing is the usual client following type of market entry. On cultural very familiar markets *green field* and *brown field* investments are also chosen. On the other hand, Slovenian companies will be less favourable towards strategic alliances and M&As (mergers and acquisitions), since such commitments do not grant the possibility of 'individualistic behaviour', as well as due to financial limitations.

In the field of international market(ing) cooperation, we posit that Slovenian companies are not favourable to congruent company cooperation with other companies, especially if this implies coordination market(ing) activities. Even more, they base their own marketing activities on consumers' attitudes and characteristics, ignoring the inclusion of the whole value chain. The market(ing) activities of Slovenian export companies are also based on the conservative approach of reaction to consumer needs. Therefore, their marketing positioning is mostly based on the relation between *price and quality*, followed by *product-based* and *product-type positioning*. Consequently, for most sample companies the '*client-based factors'* (like strategies based on purchasing behaviour) that include proactive operations is less relevant, when entering foreign markets.

From the corporate level point of view, respondents mostly elaborate and fulfil the vision and mission of the company. Similarly, the business and marketing strategy are present, but there is a lack in fulfilling it in an integrated manner, which is most present in absent planning of integral marketing processes. In terms of including different types of stakeholders and reference sources in the process of marketing strategy formulation and operationalization, only customers are most often taken into consideration when entry market(ing) strategies are formulated. Distributors and suppliers only partly influence the formulation of market(ing) strategies, while other publics (e. g. local public, media, etc.) are mostly excluded.

The article is composed of three parts. The first part of the paper presents a short theoretical overview of selected literature establishing a framework for empirical analysis and results presented in the second part of the article (Chapters 3 to 6). In the last part, we reassume the key findings presented through the text, with the emphasis on confirming or rejecting our hypothesis on the characteristics of operational marketing and market-entry modes of Slovenian companies. Managerial implications are also provided in the last part of the paper.

2. SHORT THEORETICAL OVERVIEW

2.1. EXPORT STRUCTURE

The current financial and economic crisis confirmed the axiom that small and open economies are less resilient to outside economic and non-economic shocks (e. g. Kisanga and Briguglio, 2004; Ibitoye, 2009; Briguglio et al., 2009 etc.). This can, among other things, be attributed to the percentage that export and import have in their total GDP. For illustration: close to 70 per cent of Slovenia's GDP is related to exports (National Statistics Office of Slovenia, 2010). Compared to large states, small states base their export (and import)[1] on geographical proximity and therefore concentrate it. This is linked to the limited resources and the resource-based view in internationalization theory of companies from small markets (Roth, 1995; Ahokangas, 1998; Luo, 2000; Ruzzier, Antončič and Konečnik, 2006). The preposition of influence on 'geographical export concentration' was tested several times in the past; and different studies (e. g. Hirschman, 1945; Michaely, 1958; Kuznets, 1964; Khafal, 1974; James, 1980 etc.) have proved an inverse relationship between country size and export concentration (*cf.* James, 1980). According to Meilak (2008), the limited size of internal/domestic market causes that *"trade takes a more magnified dimension in small economies"* and therefore, *"countries export to a small number of client countries, due to the problems associated with further fragmenting (of) their already small volume of export" (ibid.)*. At the same time, the small domestic market motive remains one of the most prominent motives for internationalization of small country companies, often before either technological or marketing advantage (Glas at al., 1999; Hollensen, 2007).

Slovenia, as a small state, (*cf.* Senjur, 1992; Damijan, 1995; Alessina and Spolaore, 2005; Udovič and Svetličič, 2007) similarly faces this phenomenon. Since the 1970s, when the first wave of liberalization started, Slovenian companies started to internationalise and invest abroad (Jaklič and Svetličič, 2005). During the 1980s, export to developed countries amounted to 58 per cent of total Slovenian export (Jaklič and Svetličič, 2003), but at the same time, intra-state trade was still important for the Slovenian economy.[2] After the dissolution of Yugoslavia and a decade of continuous wars in the region (Gligorov, 2004, 16ff), Slovenian companies were forced to 'find' new trade partners outside the region.[3] However, the redirection has not included a diversification of markets, but rather reinforcement of (already propulsive) key trade partners' relations (e. g. EEC markets).[4] Therefore, the turn from Ex-Yugoslav towards EEC markets missed the opportunity of geographically diversifying export of Slovenian companies. Even though the share of export of goods and services in GDP rose from 45 per cent (1996) to 68 per cent (2008), the share of EEC markets (in the same period) remains steady at almost 70 per cent. Figure 1 displays the structure of Slovenian exports, according to market types for 2009.

In terms of trying to link the socio-economic complexity of Slovenia's quick transition (Katsu, 2004) from a socialist to a market system Mencinger (2004) points to certain characteristics of the Slovenian economy at the time of its independence in 1991, which have had also a profound impact on Slovenia's foreign trade a predominant EU market focus today. Thus, Slovenia was considered one of *"the richest parts of Eastern Europe"*, with a *"well diversified manufacturing sector"* and *"a predominantly private agriculture, a partly privately owned services sector, well-established economic links with Western markets, and a good geographical position"* (Mencinger, 2004, 73). By 1990 17.9 per cent of sales and 15.2 per cent of purchases were tied to other non-socialist markets (Mencinger, 2004). Trying to explain such a predominant EU market focus of the Slovenian export economy Majcen & Kaminski (2004, 140) point to Slovenia's zeal in EU foreign trade, stating *"unlike the other candidates for EU accession, Slovenia has followed very closely the vision and policies designed by the European Union to carry out Eastern enlargement"* also in the area of foreign trade. Majcen and Kaminski (2004) also link the quick abolishment of trade barriers between the EU and Slovenia, as a very important push towards increased foreign trade with the EU. Furthermore, they stress that *"the European Union is both an economic superpower*

1 Kuznets (1964, 40) proved »the inverse association between (country) size and geographic concentration of both – export and import – but particularly of export«.
2 According to the Statistical Report of Yugoslavia (1989, 309), Slovenia had exported 23 per cent of the total Yugoslav export in 1987.
3 This prudent redirection towards 'known partners' should be understood within the discourse of Slovenian national character (*cf.* Žižek, 1987; Damjan, 2000). The choice for transitional gradualism should also be understood within this discourse (*cf.* Šušteršič, 2004, 400ff).
4 In 1970, the total export to four key trade partners (Austria, Italy, Germany and France) represented almost 50 per cent of the total Slovenian export, while this share increased to 55 per cent in 1991. Statistical data shows that the importance of Ex-Yugoslav markets partly diminished during the 90-ies, but rose again after 2002 (*cf.* also Damijan, 2004, 335ff).

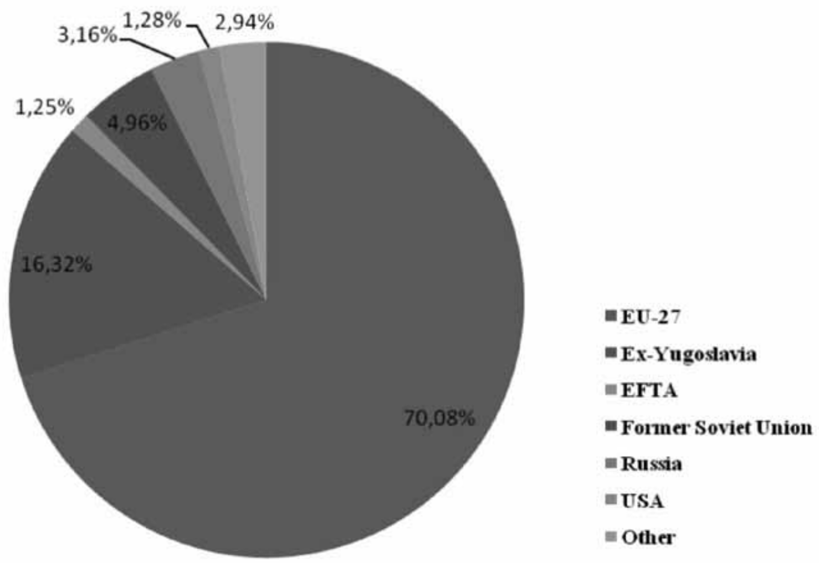
and Slovenia's natural trading partner for reasons of both geography and economic potential" (Majcen and Kaminski, 2004, 142). Adding to this, Domadenik and Prašnikar (2004) point to an extensive privatization and restructuring process of the Slovenian business economy in the first part of the 1990s, which limited the 'external orientation' of many Slovenian companies. Thus, according to Prašnikar and Gregorič (2002) a vast majority of *"successful and internationally accepted firms in fact took advantage of internal buyouts"* again focusing more on internal ownership issues, rather than a strategic diversification of their external trade. While the complexity of Slovenia's transition falls outside the scope of this paper, the high degree of connection to EU markets prior to Slovenia's independence, a gradualist and bilateral foreign trade expansion, accompanied by a strong drive towards EU integration all contributed to Slovenia's current export structure. Furthermore, Slovenia's geographical position, its historic ties to key EU markets (e. g. Germany, Italy and Austria), socio-cultural characteristics (uncertainty avoidance and resistance to change), as well as the absence of a severe economic depression following Slovenia's independence, all paved the way for Slovenia's complacency in terms of foreign trade, which is still very much evident today, and as shown in Figure 1.

In the group of EU-27, key trade partners include: Germany (20.01 per cent of the total Slovenian exports), Italy (11.60 per cent), France (8.29 per cent) and Austria (8.03 per cent). The situation is even more radical among Ex-Yugoslav states, where Croatia imports 47.84 per cent of all Slovenian export to the Ex-Yugoslav region, followed by Serbia (23.56 per cent), and Bosnia and Herzegovina (19.16 per cent). This data shows that Slovenia exports 86.40 per cent to EU-27 and Ex-Yugoslav markets jointly, thus concentrating the bulk of its exports in a narrow geographical radius of 1,500 km. Due to this export concentration, Slovenia can be marked as an economically vulnerable state and should therefore adopt *"appropriate policies to enable it to cope with its vulnerability"* (self-made scenario) (Briguglio et al., 2004, 2).[5]

In addition to a low degree of geographical diversification addressed in Figure 1, Slovenia's exports are also very much undiversified in terms of industry structure. Thus, according to the Standard International Trade Classification Slovenia's exports are mainly in the area of *Machinery and transport equipment* (39.8 per cent), followed by *Manufactures classified by material* (23.8 per cent), *Chemical products* (14.4 per cent) and *Miscellaneous manufactured articles* (12.2 per cent). Among specific product categories the most common export product categories include: *road vehicles* (14.4 per cent), *electrical machinery, apparatus and appliances*

5 The study of Briguglio et al. (2004) ranked Slovenia on the 40th place (among 77) countries. It explains that Slovenia is bordering between two categories – self-made and best-case scenario. The latter is defined as "not inherently vulnerable, which at same time adopt resilience-building policies" (2004, 3)

Figure 1: Key export markets for Slovenian economy in 2009*



Source: Bank of Slovenia, *Economic Relationships of Slovenia with abroad*, December 2009.
*The structures are based on the data for the first 11 months of 2009. Complete data for 2009 was not yet available.

(9.5 per cent), *medicinal and pharmaceutical products* (7.9 per cent) and *general industrial machinery and equipment* (6.2 per cent) (Slovenia in figures, 2009). Looking at the created gross added value as a percentage of total economy, Slovenia's added value is still too much derived from the industry (34 per cent), compared to the EU-27 (26.4 per cent) and not from the services (Slovenia: 63.7 per cent, opposed to EU-27: 71.7 per cent) (Eurostat, 2010).

Economic vulnerability is even further more concerning when the distribution of Slovenian outward foreign direct investments (FDIs) is taken into account. The data of the Bank of Slovenia shows that over 67 per cent of all outward FDIs by Slovenian companies are to Ex-Yugoslav markets (Bank of Slovenia, 2009, 67–68). At the same time, the degree of inward FDIs are, due to national peculiarities (e.g. risk aversion and conservatism), extremely low.

How can this data be explained? Theoretically, the best explanation is offered by the paradigm of *sequential internationalization model*, known as the Uppsala model (Johanson and Vahlne, 1977/1990; Johanson and Wiedersheim-Paul, 1975), explaining that the decision for internationalisation includes three variables, namely: (1) *regional aspect*, (2) *entry mode specifics* (pertaining to *control*, *risk* and *flexibility*) and the (3) *investment sector* (Svetličič, 2003, 5). The central implication of the Uppsala model is in its capability to explain market-oriented internationalisation, which is based on classical competence-endowment preposition (Makovec Brenčič, 2009, 22). However, the Uppsala School is to narrow to explain all internationalisation processes. In a more recent critical overview of traditional internationalization theories, Axinn and Matthyssens (2002) point to new technological and economic forces making *"existing internationalization theories insufficient in explaining the behaviours of companies in the market place"* (Akhter and Robles, 2006, 98). In particular, this may be linked also to the emergence of the network paradigm in internationalization theories, as well as international business and marketing (e. g. Anderson, Håkansson & Johanson, 1994; Johansen and Johansen, 1999; Hollensen, 2007), with the behaviour of individual companies being dependent on the networks in which they are embedded, as well as through the actor-resource-activity network relationships (Håkansson and Snehota, 1995).

The widened approach of the Uppsala School is valid also in the case of Slovenia, where competence-endowment can be found in its historical relations and cultural nearness (*cf.* also Rašković, 2009) to Ex-Yugoslav and EU-27 countries (*cf.* Makovec Brenčič and Hrastelj, 2003, 418ff), as well as in knowing the market and consumer particularities (*cf.* also Žabkar, Kolar and Sunko, 2009). Therefore, Slovenian companies invest more in countries, where they have the comparative advantage based on cultural proximity and where their products have a good reputation, while they export in countries where their competitive position is weak compared to other competitors. On these markets, they usually sell under other brands or act as contract manufacturers and second-tier suppliers.

2.2. FOREIGN MARKET ENTRY MODE FACTORS

The explanation, why Slovenian companies invest more in Ex-Yugoslav markets and export more in EU-27 markets, determines the question of entry modes and inter-company cooperation activities on the selected markets. Czinkota et al. (2009, 233) list four different types of foreign market entry modes, varying in terms of the available level of: *control*, inherent *risk* and offered *flexibility*. These four groups include: (1) exporting, (2) contractual entry types (i. e. licensing), (3) joint ventures and (4) foreign direct investment (FDIs). Makovec Brenčič (2009, 82ff) complements the Czinkota et al. (2009) classification with franchising, contractual agreements and strategic alliances (*cf.* also Onkvisit and Shaw, 2004, 248ff). Each entry mode has its own advantages and disadvantages, which influence the selection of the appropriate type of market entry mode. Export is the easiest and less risky way of internationalisation (Onkvisit and Shaw, 2004, 246), which – compared to licensing – does not allow the transfer of the technical know-how and industrial property (*ibid.*, 249). If export and licensing deals with market-operational modes, franchising and contractual agreements focus more on stipulating contracts and operate as a subcontractor. However, the most complicated forms of internationalisation are joint ventures and strategic alliances, determined by non sole economic interests. The investment types of market entry (i. e. green field and brown field investments) on the other hand, offer the highest possible levels of control and inherent risk, while enabling lower levels of flexibility (*cf.* Makovec Brenčič and Hrastelj, 2003, 167ff).

No matter which form of outward internationalisation is chosen, companies have to market and sell their products and services. This can be carried out individually or in cooperation with other (Slovenian) companies operating in the same market - coordinated campaign approaches (Czinkota and Ronkainen, 2007, 591ff). As implied by Goffin et al. (2006) cooperative behaviour is always prone to being desirable. The positive effects of cooperative behaviour in (international) business ventures has also been substantially tested empirically (e. g. Monczka et al., 1993; Bagchi et al., 2005; Das et al., 2006 etc.). However, as pointed by Johnston and Kristal (2008) cooperation may also lead to dependence and may consequently have also an adverse impact on business performance.

The market(ing) cooperation models may vary from lax marketing activities (like coordinated marketing) to more intense, almost amalgamated marketing approaches (e. g. joint market brands in foreign market) (Czinkota and Ronkainen, 2007, 491, 597). Regardless of the cooperation type, Akhter and Robles (2006) clearly point to individual companies having to make a decision at the market entry stage, as well as subsequent international business and marketing activities, on whether and how to cooperate with other companies. Gomes-Casseres (1989) further points out to the importance of *differing capabilities* in terms of internalization or cooperation in international business, again, directly referring to the resource-based view in internationalization theory.

There are three key variables that influence the cooperation decision, namely: a) *company size*, b) *market size* (or market share) and c) '*ethnocentrism'* of the management. These three factors are further complemented by the internal availability of resources (Williamson, 1975), international experience (Hollensen, 2007), and the company network (Koch, 2001). A good classification of the various different factors influencing cooperation decisions in the context of internationalization can be found in Akhter and Robles (2006) conceptual model. They classify/group different factors in two groups; (1) **competency-related factors** (e. g. strategic resources, asset specificity, and context specificity) and (2) **uncertainty-related factors** (e. g. level of competition, brand recognition, political and economic stability, product and market type etc.).

In terms of company size, large companies are often more capable to operate individually, with adequate resources and experience, as well as being averse to cooperating with other companies, especially on a small market, while they are more prone to cooperation on large markets. Even more, if a company has a large market share, it is hard to expect that it will cooperate with other companies, while if the opposite is true, cooperation is more credible.

2.3. SELECTED SOCIO-CULTURAL CHARACTERISTICS

In addition to market and historical characteristics, socio-cultural characteristics are also an important factor in foreign market entry modes (Hollensen, 2007), as well as in terms of determining the economic behaviour of companies (Birley, 1987; Franke, Hofstede and Bond, 1991; McGrath, MacMillan and Scheinberg, 1992; Thomas and Mueller, 2000; Gerard and Shaker, 2002). In this context in particular, cultural characteristics such as (a) *risk taking* or uncertainty avoidance (Hofstede, 1980; Palich and Bagby, 1995), (b) *individualism* (Morrison, Davis and Allen, 1994), (c) *masculinity* (Hofstede, 1980; McGrath, MacMillan and Scheinberg, 1992) and (d) *power distance* (Thompson, 1967; Hofstede, 1980) have all been directly linked to entrepreneurial and economic behavior of companies, having thus also implications for export behavior. Table 1 displays the selected cultural characteristics of the Slovenian national culture according to Hofstede's indices.

As can be seen from the corresponding data from Table 1, Slovenia's national cultural character scores very low on individualism and masculine values, relatively low on power distance and quite high on uncertainty avoidance. In terms of export behavior implications, high level of uncertainty

Table 1: Slovenia's cultural characteristics according to Hofstede's national character typology*

Country	PDI	UAI	IND	MAS
Slovenia	37	88	27	19

Source: Hofstede, 2001.
*Values are on a 0 to 125 point scale. PDI=power distance, UAI=uncertainty avoidance, IND=individualism, MAS=masculinity.

avoidance may imply resistance to change and strong risk-aversion, which may limit openness to cooperation with unknown external partners. The research of Hofstede (1980/2001) and Jazbec (2005) has presented quite a high level of 'risk avoidance' and 'femininity' of the Slovenian population (Zagoršek, 2005, 6); similar results can be found also in the GLOBE Research done for Slovenia in 2004 (Zagoršek, 2005, 8). Furthermore, while high levels of collectivism may foster cooperative behaviour; high degrees of risk avoidance limit this behaviour to within group collectivism, not between group collectivism (House et al., 2004).

No matter if the market share is big or small, or the company is a SME or a large company, the ethnocentrism/national character can play a decisive role in influencing cooperative behaviour in marketing affairs. The decision for cooperating or 'going solo' is strongly based on the monochronism and polychronism (*cf.* Makovec Brenčič, 2003, 254; Czinkota et al., 2009, 76; Onkvist and Shaw, 2004, 158) of the management. When the managements' values and strategies are based on collectivism, cooperation is much more probable than if the management stimulates competitiveness and individualism (masculinity) among its members.

The presented short theoretical overview is a basis for further discussion of empirical data that will be presented in the next two chapters. In the third chapter, sampling and sample characteristics are presented, while in the fourth chapter, we analyse the empirical findings and examine if practice supports our theoretical overview.

3. SAMPLE AND SAMPLING

The sample consists of 81 Slovenian export companies (n=81). These companies were selected first among 1,000 top Slovenian exporters, based on 2008 data, and in terms of the absolute value of their exports. Based on this ranking, a final respondent e-mail listing of 499 companies was prepared and contacted by the market research agency GfK Slovenia, which was also in charge of the data collection process. Data collection took place in spring and early summer of 2009, by means of an electronic survey, preceded by both regular mail and telephone announcements. The response rate of the survey was 16.23 per cent. A structured instrument survey was applied, consisting of mainly 7-point Likert scales and open-end marketing and export performance questions.

Regarding sample characteristics, despite somewhat limited size of the sample, the structure of exports of sample companies is quite comparable to the structure of overall Slovenian exports, with close to 70 per cent of exports tied to the EU-27 and followed by Ex-Yugoslavia and Russia. In terms of company size, the sample includes above average shares of middle-sized and large companies, compared to the Slovenian industry structure. However, it must be noted that data collection was based on a ranking of top Slovenian export companies in terms of their absolute value of exports, and thus biased according to size. Hence, the results mirror the export and international marketing behaviour of top Slovenian exporters, not all Slovenian exporters or the whole real sector.

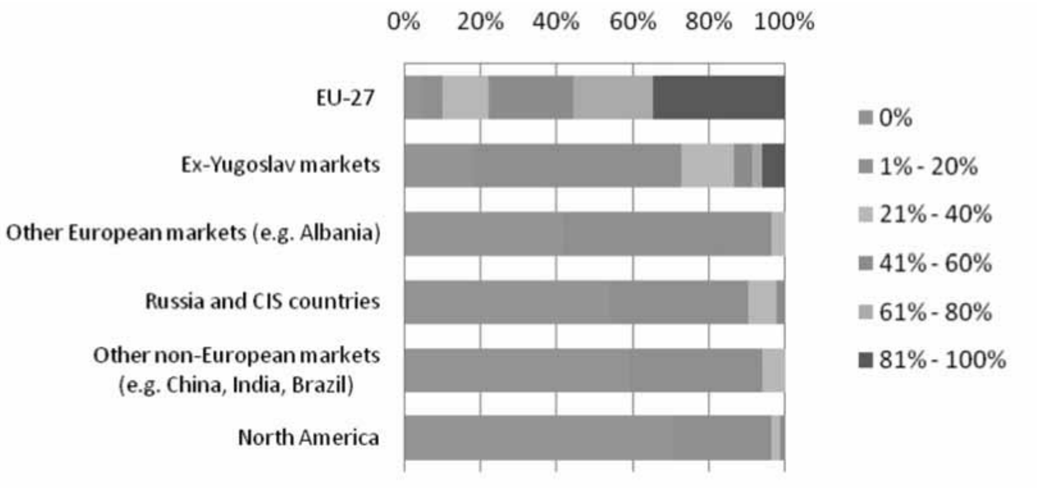
Corresponding with their predominant export orientation, 63 per cent of all surveyed companies realize over 70 per cent of their sales on foreign markets. Over the last three years, the majority of these companies (40.7 per cent) realized compounded annual growth rates of sales in foreign markets between 6 and 15 per cent. Among the companies that have a marketing department, only 20.8 per cent have a separate international marketing department as well. While most companies (40.7 per cent) have up to 5 per cent of foreign-based assets, an additional 30.9 per cent do not know or did not wish to answer this question. A majority of sample companies (30.7 per cent) have up to 1 per cent of foreign-based employees in their total employee structure.

In terms of specific market entry types, 97.53 per cent of respondent companies use various export types, while only 16.05 per cent of respondent companies also use contractual market entry types (e. g. licensing and franchising). Furthermore, only 13.58 per cent of respondent companies employ FDIs as a mode of internationalization, followed by mergers and acquisitions (7.41 per cent).

4. CURRENT AND FUTURE EXPORT MARKETS FOCUS

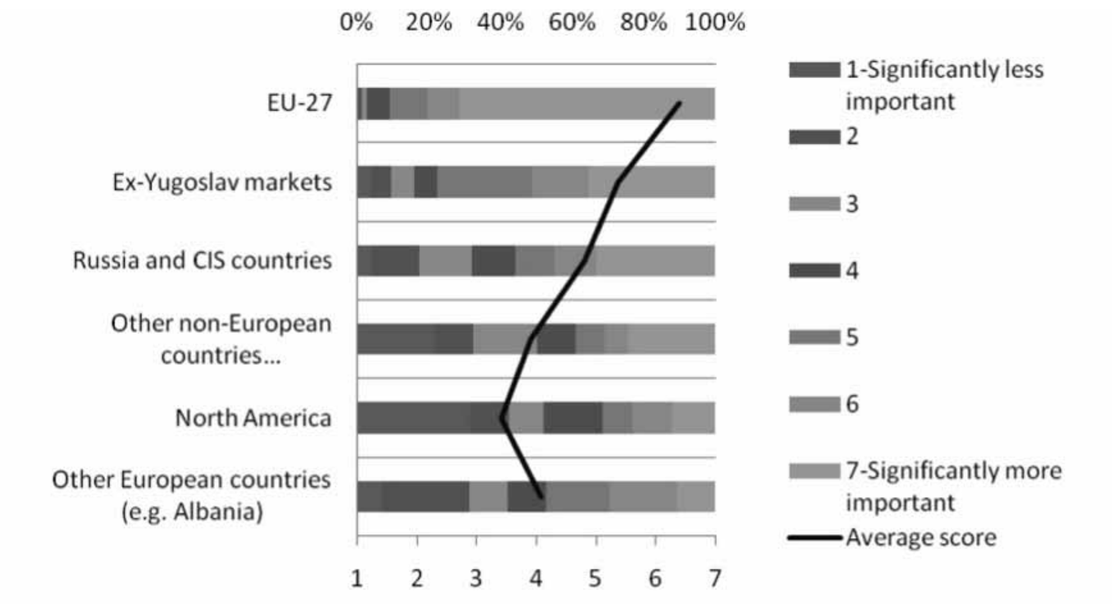
In terms of current importance of export markets, EU-27 markets represent the most important export destination for the Slovenian sample companies, with only 4.94 per cent of companies exporting to other markets and not to the EU-27 markets. For about half of the sample companies (55.56 per cent) EU-27 markets represent at least 61 or more per cent of their total value of exports in foreign markets, thus displaying a strong export dependence on the EU-27 markets. In

Figure 2: Current structure of exports (foreign sales in total foreign sales) according to specific market



Source: International business activities of Slovenian companies, 2009 (n=81).

Figure 3: Importance of selected markets in terms of current export value (foreign sales in total foreign sales) in three years (7-point scale)



Source: Study of international business activities of Slovenian companies, 2009 (n=81).

second place, only 18.52 per cent of sample companies do not export to Ex-Yugoslav markets, while for most companies (54.32 per cent) these markets represent between 1 and 20 per cent of their total value of exports. 70.3 per cent of respondent companies do not export to North American markets at all, while 59.26 per cent do not export to other non-European markets (excluding Russia and CIS countries). Figure 2 displays a more detailed structure of the current export orientation of the sample export companies.

Having presented the data in Figure 2, we can see that the bulk of exports of the sample companies falls within a radius of about 1,500 kilometres from Slovenia and is geographically relatively undifferentiated. In the next section, Figure 3 presents how important the given markets will be to the sample companies in three years (on a 7-point scale, where 1 corresponds to significantly less important and 7 to significantly more important).

(Not)surprisingly, EU-27 markets have the highest stated importance score (6.40 on a 7-point scale) in terms export importance in three years time, followed by Ex-Yugoslav markets (5.36), while North America remains last (3.41). What we see is that the sample companies believe that their main current export markets will be even more important in three years time, disregarding the potential in other markets and showing no indication of export diversification in terms of geographical markets. In addition, the degree of importance of North American markets will actually drop slightly among the sample Slovenian export companies over the next three years.

Regarding most common motives for internationalization, *client following* was stated as the most common motive by respondent companies (average value of 5.52 on a 7-point scale). This motive was followed by *small domestic market* (5.44) and *risk spreading* (5.23) (*cf.* also chapter 2). All three motives indicate low levels of proactiveness, in terms of proactive internationalization. Also very important, *geographical proximity* (average grade of 4.56 on a 7-point scale) was ranked second most important after *market size* (5.88) in terms of main factors market selection. *Cultural proximity* was ranked third with an average grade of 4.50 (*cf.* also Chapter 2).

5. PRODUCT PORTFOLIOS OF TOP SLOVENIAN EXPORTERS AND CORPORATE LEVEL MARKETING STRATEGIES

5.1. SELECTED PRODUCT PORTFOLIO INDICATORS

In terms of the available and selected data on product portfolios of top Slovenian exporters in the sample (n=81) most respondent companies rely heavily on revenue generation from products, little from services, which is also in-line with sources of added value generation outlined earlier. In addition, an even stronger reliance on product revenue generation is apparent on foreign markets, compared to the domestic market, again pointing to a heavy reliance on contract manufacturing and subcontracting. Thus, on the **domestic market** 69.14 per cent of respondents realize between 81 and 100 per cent of revenues from products, while 50.62 per cent of respondents realize between 1 and 20 per cent of revenues from services. In contrast, 80.25 per cent of respondents generate revenues from pure products on **foreign markets**, while 46.91 per cent also generate revenues from services (in addition to products). However, a staggering 39.51 per cent of respondents do not generate any revenues from services on foreign markets (while this share is only 25.93 per cent on the domestic market). Here, the difference is statistically significant (α=0.05).

Looking at perceived market positioning, most respondents (n=75) employ *competitive market positioning* strategies vis-a-vis main competitors on the market (70.8 per cent). This does, however mean that on the other hand 29.2 per cent of respondents do not employ any kind of competitive market positioning. Furthermore, the majority of respondents also employ basic *price-quality positioning* strategies (66.7 per cent), followed by *positioning based on product/service usage* (61.1 per cent), *product type positioning* (54.2 per cent) and *positioning according to potential benefits* (50.0 per cent). On the other hand, only 30.6 per cent of respondents (n=75) use also *positioning strategies in terms of purchasing power* and *positioning strategies based on purchasing behaviour* (25.0 per cent), indicating limited adaptation of positioning strategies to purchasing characteristics and more push-based, as opposed to pull-based positioning strategies on foreign markets.

Evaluating emphasized elements in competitive positioning (relative to main competitors), most Slovenian respondent exporters usually try to position their products and/or services as better *quality and reliability* (average grade of 6.45 on a 7-point scale), compared to their competitors. This is followed by *accessibility of products/services* (5.06) and *competitive positioning in terms of warranty* (5.05). On the other hand *low cost positioning* (3.96) and *payment terms* (4.26) are the least employed sources of competitive positioning. Linking this to market position, 34.7 per cent of respondent companies (n=75) perceive themselves as *market leaders*, followed by *market challengers* (26.7 per cent) and *market followers* (25.3 per cent).

Further, in terms of the product/service life-cycle, most respondents (34.7 per cent) in the mature life-cycle phase employ *product/service changes (upgrades)*, followed by *changes in the marketing mix* (28 per cent) and *market changes (switching)*. These results may indicate a high level of reactiveness, rather than proactiveness in the maturity phase of their products and/or services.

5.2. CORPORATE LEVEL MARKETING STRATEGIES
Directly relevant to the scope of this special issue on corporate marketing, most of the respondent companies (n=75) have clear set *corporate goals* (average grade of 5.99 on a 7-point scale), followed by a clearly defined *vision* (5.89) and *mission* (5.77). While the existence of defined *business strategies* is relatively high (5.92), *marketing strategies* are ranked a bit lower (5.46 on a 7-point scale), with 8 per cent of respondents not having or following marketing strategies. Additionally, 14.7 per cent of respondents do not have or follow a *clear marketing plan* (5.16), operationalizing these marketing strategies. Last, but not least, a quarter of respondents does not practice *planning of integral marketing processes* (average grade of 4.57 on a 7-point scale), indicating limited coordination of marketing processes on foreign markets.

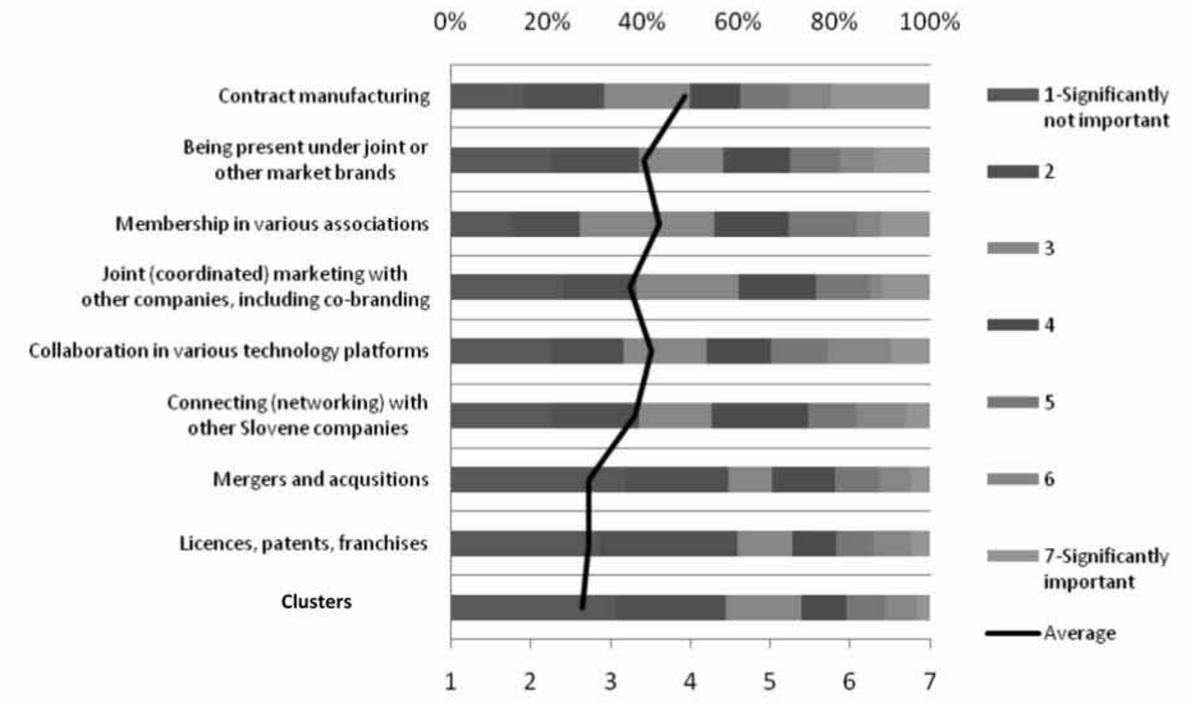
In terms of including different types of stakeholders and reference sources in the process of marketing strategy formulation *customers* (average grade of 6.30 on a 7-point scale) are most frequently included in formulating marketing strategies, followed by *technical, technological, organizational and business characteristics of the company* (5.64) and the *competitors* (5.58). *Distributors* (5.13) and *suppliers* (4.70) are included much less in formulating marketing strategies, while other public (e. g. media, local communities etc.) are included even less frequently (3.65).

6. COOPERATION AND SYNERGIES ON FOREIGN MARKETS

Looking at particular market(ing) cooperation types and sources of synergies of the sample Slovenian export companies on foreign markets, we can conclude that none of the stated cooperation and synergy types are extremely important to the respondent companies. Among these, *contract manufacturing* scores highest (3.92 on a 7-point scale), followed by *membership in various associations* (3.60) and *participation in various technology platforms* (3.52). On the other hand, *clusters* (2.64), *mergers and acquisitions* (2.72) and *licenses*, *patents and franchises* (2.73) score lowest in terms of their importance on foreign markets. Figure 4 displays a more detailed overview of all stated collaboration and synergy types.

In particular, relevant to international marketing, *joint (coordinated) marketing with other companies, suppliers and buyers, including co-branding* (3.24), *connecting (networking) with other Slovenian companies* (3.30), as well as *being present under joint or other market brands*

Figure 4: Importance of selected cooperation types and sources of synergies of sample Slovenian export companies (7-point scale)



Source: Study of international business activities of Slovenian companies, 2009 (n=81).

in foreign markets (3.42) all display relatively low stated levels of importance among sample companies, indicating also a very limited degree of marketing-coordinated activities and networking behaviour among individual Slovenian export companies on foreign markets. At the same time, *unwillingness of Slovenian companies to cooperate or help* was ranked as the least important entry barrier (average grade of 3.49 on a 7-point importance scale), showing that the general perception among companies regarding potentially available cooperation available cooperation is high, but that companies willingly do not perceive it as useful or use it to their advantage. This was followed by *inadequate help from the state and institutions* (4.00) and *low recognition of Slovenia and Slovenian brands on foreign markets* (4.13), as the least important entry barriers, again showing that companies do not believe that Slovenian brands are unrecognizable on their foreign markets.

Further on, while a high share of sample export companies state that they *continuously seek synergies with their business partners in their foreign market business activities* (average grade 5.12 on a 7-point scale), most respondents *do not consider collaborations with other Slovenian companies in developing new products and services* (2.95), again indicating a higher degree of individualistic behaviour in the context of joint research and development. Figure 5 displays the summarized results in greater detail.

Additionally supporting this view, most companies do not consider *thinking about joint appearance on foreign markets with other Slovenian or even foreign companies and their products/services* (average score 3.22). Only a limited share of companies (34.56 per cent)[6] also *check which Slovenian companies are already present on a particular market, before entering this market themselves* (average score 3.60 on a 7-point scale).

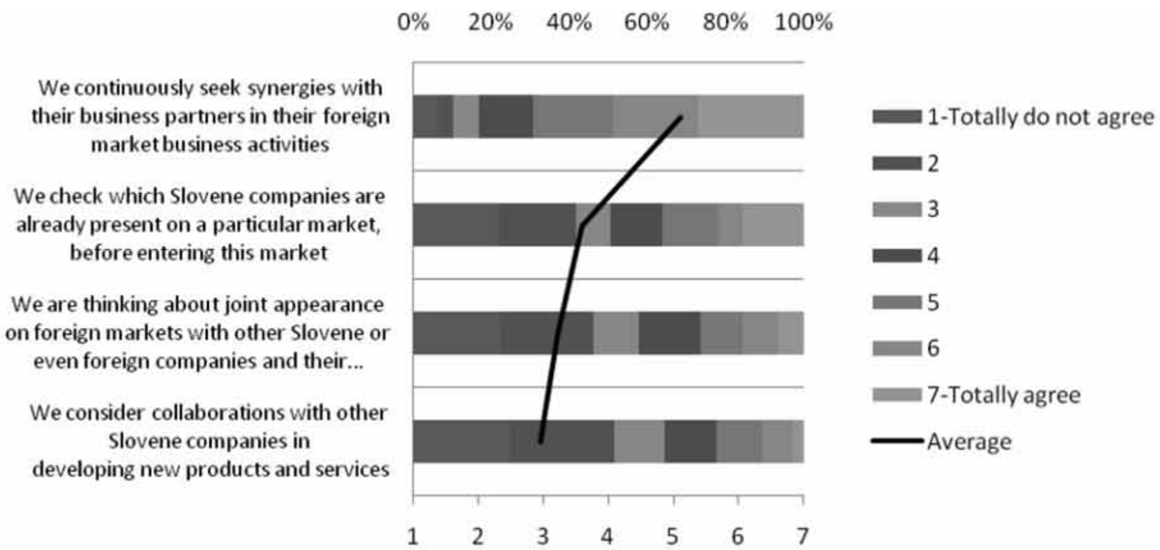
7. IMPLICATIONS FOR INTERNATIONAL BUSINESS AND MARKETING

In terms of managerial implications, based on the corresponding results, let us once again point to the limited sample size and sample characteristics outlined earlier. Bearing this in mind, the sample results clearly show a lack of proactive motives in terms of internationalization drive.

The first problem that can be located is the structure of the Slovenian outward internationalisation. Results show that an average sample company generates revenue from products, to a very limited extent also from services. This phenomenon is even more apprehensive in foreign markets, where sample companies usually act as contract manufacturers. Therefore, companies should disperse their business activities by enhancing their service offer and portfolio, especially in foreign markets. On the other hand, within the diversifying ‘content’ of outward internationalisation,

6 Refers to answers 5, 6 and 7 on a 7-point scale.

Figure 5: Evaluation of selected types of marketing-related cooperative behaviour in foreign markets



Source: International business activities of Slovenian companies, 2009 (n=81).

companies should also diversify their outward internationalisation both geographically, as well as in terms of industry and product portfolios. While a narrow 1,500 km radius of most Slovenian exports grants the opportunity of a high level of 'market knowledge' and a 'quick withdrawal' option (if required), it at the same time presents a high level of dependence-based risk and a potential lock-in in low end contractual market entry modes (e.g. contractual manufacturing). In terms of other and non-traditional export markets (e.g. so called emerging markets), these markets have a potential that is underexploited. However, if Slovenian export companies want to enter and be successful on these markets, they have to convert their reactive operational modes to the proactive market(ing) strategies and marketing positioning. These will enhance companies' capability to follow successful niche strategies and to increase their competitive advantage, which will retain gains and retract risks.

With regards to the selection of foreign markets entry modes, the results show that contract manufacturing appears to be the most common form of foreign market engagement, related to exporting. This is due to the low level of proactiveness that is needed within contract manufacturing, which is of relatively low 'value' in terms of growth potential, learning, future development and long-term economic sustainability. In this context one might posit that a majority of sample export companies are locked-in on traditional EU-27 export markets with no indication of wanting to change. Here, Slovenian companies should change this 'band-wagon' attitude, because reactiveness is of limited range. Instead of answering to market/consumer needs, firms ought to enhance their capability in creating or promoting market/consumer needs. This can be achieved by searching synergies within and among different entry modes, particularly in the face of constrained and limited resources and the inability to tap into economies of scale on the domestic market.

The second implication that is relevant for international business and marketing is linked to the economies of scale in market(ing) actions. As seen from the results, Slovenian enterprises still focus on 'doing/going solo' and lack joint (coordinated) marketing, including co-branding. This market(ing) approaches should be more utilised among Slovenian and/or with foreign partners, because joint marketing offers more possibilities for Slovenian firms, which are – from the vista of world economy – small enterprises with limited resources. Therefore, Slovenian companies should invest more resources to become more market(ing)-oriented players, albeit in groups, instead of being isolated market(ing) followers, with limited resources, locked-in low added value export relationships. However, switching from 'going solo' to 'joint market(ing) actions', needs changes in the whole production-sell process, which includes suppliers, distributors, performers and customers and a radical re-thinking of current corporate and marketing strategies, as well as their operationalization.

The third implication is that Slovenian companies should enhance cooperative approaches and behaviour within their companies, to enable themselves to cope with the complexity of the international business environment. Thus, they should move from 'low' value-added concept of *reliability* and *quality* as a competitive advantage towards more aggressive forms like innovations of products/services and innovativeness in market(ing) approaches, based on corporate level strategies, which should extend companies' activities to other – non business – actors. There is a necessity of widening the corporate decision-making process in international marketing of Slovenian companies with other actors that constitute the whole value chain. This should replace the conservative and isolated position of Slovenian companies with the more audacious, innovative one. The result of such a shift will be the capacity of dealing with market challenges, with a mindset of a leader, not as a follower.

To summarise; Slovenian companies face shortages in cooperative and collaborative behaviour. Even though respondents state that *"they are continuously seeking synergies with business partners in foreign markets"*, they admit the lack of coordination with other Slovenian companies, especially in the field of market(ing) cooperation. Even more so, Slovenian companies are not even considering joint appearance or developing new products and services with other Slovenian companies. In terms of a more active intra-company collaboration, synergies should be explored both in the early market entry phase (gathering market data), as well as in branding and other marketing activities. This could be achieved at least on Ex-Yugoslav markets, where the tradition of Slovenian firms operations is of long standing.

In terms of market and product concentration, companies should diversify their key export markets and the products, as well as include more services in their offers. At the same time, it is also necessary that companies redirect their export towards more service-oriented segments, because the value-added is achieved much easier in services than in production of merchandise products.

Finally, the key recommendation for Slovenian companies is to replace their reactive attitude with a more proactive market(ing) driven mindset. This proactive attitude will influence strategic decisions and alliances, which are extremely important, because of the small Slovenian market and its limited resources.

8. CONCLUSION

The current economic downturn has shown that Slovenian companies have not learned a lot from past mistakes, nor changes that are expected in the near future. The transition period has not changed the steady export patterns, neither in terms of product or geographical diversification. Slovenian exporters still export a limited range of merchandise products that represents the larger part of revenue generation, comparing to the export of services. This export is concentrated within a narrow 1,500 km radius, encompassing EU-27 and Ex-Yugoslavia markets. A motive for such geographical concentration can be found in historical roots of outward internationalisation of Slovenian firms, while on the other hand, this concentration is a motive for their reactive behaviour. As explained above, Slovenian companies' characteristics are determined also by national character and socio-cultural particularities of the Slovenian society, which instead of being proactive and competitive supports conservative reactive manners, based on collective decision-making and uncertainty/risk avoidance. Such a business environment is not favourable for bold actions, supported by agility and flexibility, which are the key characteristics of successful small country exporters.

The second problem of Slovenian exporters is the case of market(ing) positioning in foreign markets. As already discussed, Slovenian companies are more favourable to 'push-based positioning' (like price-quality marketing position etc.) compared to the 'pull-based positioning' (e. g. marketing position based on purchasing behaviour). This can be again linked to national character and to the lack of proactiveness, because 'push-based' allows firms to invest less in market(ing) actions and to act sporadically, while the 'pull-based' positioning, has to be defined and determined by strategic thinking and operations. Even more, 'push-based' market(ing) positioning is parallel with the short-run strategy, which is an option and not a necessity, comparing to the 'pull-based' that is a long-run performance that needs a well worked out strategy, which is more complex and employs a lot of human (and other) resources. However, a well prepared strategy for the long-run activities offers higher gains comparing to scattered short-run actions. We argue that Slovenian companies should change their behaviour towards a more competitive mindset when exporting/investing in foreign markets, which certainly increases risk, but at the same time gains. Therefore, Slovenian companies should become bolder, while risk avoidance should be replaced by risk spreading actions, reinforced through a higher level of cooperative behaviour. This would enhance their competitiveness towards other foreign companies, but at the same time inward changes would occur, favourable to becoming a leader instead of a band-wagon. As known from Darwin "survival is not a question of the biggest, but of the fittest".

Last, but not least, the research presented in the previous chapters indicated that there is a lack of team spirit among Slovenian companies' international business and marketing ventures. This is reflected in absence of joint market(ing) actions, as well at the corporate level, where only consumers (preferences) influence the formulation of marketing strategies. This reasoning derives from the B2C marketing approach, which is to narrow, especially in the current world economic structure, where intermediate products/services presents a great share of world trade. Omitting B2B market(ing) can be a mistake, especially for Slovenian enterprises, if following the niche strategy. Owing to this fact, Slovenian enterprises should invest more in creating their own market(ing) strategies, in which all main partners in the supply-demand chain should be included. Corporative marketing can not be separated with the production process and for this it is necessary to alter the current behaviour of Slovenian companies towards more cooperative and joint proactive activities. This should be simultaneously started 'at home' and on foreign markets.

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