

# SOUTHEAST EUROPEAN REVIEW OF BUSINESS AND ECONOMICS

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*MARKETING AND MARKETING PERFORMANCE AS A  
TOOL FOR IMPROVING THE OVERALL COMPANY  
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SYSTEM IN HUMAN RESOURCES MANAGEMENT  
Orde Gjorgjioski*

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## EDITORIAL

*Monika Angeloska-Dichovska*

The process of transition and the subsequent post-transitional development in Southeast Europe have engendered distinctive socio-economic phenomena that deserve comprehensive and profound analysis. In addition, the global recession, COVID-19 pandemic and their consequences have brought into question the validity of the existing development paradigm, have drastically changed the business environment and imposed a need for applying additional approaches in researching these changes. In this context, economics and other social sciences have faced challenging tasks for exploring the newly created complex social reality. The motivation for this journal arises from the necessity to offer solutions about actual business, economic and other related problems by upgrading the existing theoretical and practical framework and using a wide arsenal of alternative research techniques.

The aim of the journal is to provide opportunities for researchers to present their findings in the areas of business and economics, including those combining business and economics with other fields of research and to assist in creation of alternative approaches for treatment of actual economic and business problems. Hence, we encourage experienced scholars, business practitioners as well as young researchers to submit their original work on various problems in the areas of business and economics.

This issue of the Southeast European Review of Business and Economics (SERBE) includes selected papers of students who have received PhD degree at the Faculty of Economics - Prilep. In this way, the Faculty of Economics - Prilep encourages and supports the scientific research activity of students enrolled in the third cycle of studies, as well as those who have already completed them.

## **MARKETING AND MARKETING PERFORMANCE AS A TOOL FOR IMPROVING THE OVERALL COMPANY PERFORMANCE – THE CASE OF NORTH MACEDONIA**

Marinela Todorovska Kantarovska<sup>1</sup>  
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### **Abstract**

*Marketing has long been criticized that is more an art rather than a measurable activity in companies and organizations. Huge amounts of money are connected with the marketing aspect of companies but not every company really knows how to measure the effects of the undertaken marketing activities. Due to the limited budgets especially nowadays when the world is struck by the effects of the pandemic marketing accountability has become an imperative. The research subject of this paper are the processes, approaches, indicators and tools for measuring marketing and organizational performance in order to obtain information about the current situation and practices and opportunities for change as a prerequisite for achieving greater marketing performance that will lead to greater organizational performance. The main objective of this paper is researching the interdependence of marketing and organizational performance of companies. Additionally this paper aims to: identify the extent of application of marketing strategies in the operation of companies; diagnose the current situation in the field of measuring different types of performance; provide an overview of the applied indicators, tools and persons responsible for measurement and reporting; provide insights into the nature of the undertaken performance measurement activities, whether they are one time effort, occasional or continuous and identify the role of marketing in the decision-making process and how their interdependencies are perceived by company executives.*

**Keywords:** marketing performance, organizational performance, marketing strategy, marketing accountability, marketing measurement.

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## **Introduction**

Today the measurability of what has been achieved is more important than ever. Marketing managers and business leaders have more data than ever before because they have access to powerful tools that generate consumer data. However, data that are not analyzed can be treated as unusable because they do not contribute to obtaining structured knowledge. Although there are many tools that can easily process large amounts of data and generate knowledge in an easy and representative way, they do not have a long history of application in marketing that has long been criticized that is more an art rather than a measurable activity in companies and organizations (Roetzer, Paul, 2014)

All market participants, companies, managers and consumers operate in an environment where there are many options but at the same time there is an imperative to make all decisions and choices quickly. In such conditions, the task of marketing activities is to simplify the decision-making of all market participants, reduce the risk of the decisions and to increase the expectations.

The research subject of this paper are the processes, approaches, indicators and tools for measuring marketing and organizational performance in order to obtain information about the current situation and practices and opportunities for change as a prerequisite for achieving greater marketing performance that will lead to greater organizational performance.

The main objective of this paper is researching the interdependence of marketing and organizational performance of companies.

In addition to the main objective, the research had specific objectives:

- identifying the extent of application of marketing strategies in the operation of companies;
- diagnosis of the current situation in the field of measuring different types of performance;
- overview of the applied indicators, tools and persons responsible for measurement and reporting;
- gaining insights into the nature of the undertaken performance measurement activities, whether they are one time effort, occasional or continuous;
- identifying the role of marketing in the decision-making process and how their interdependencies are perceived by company executives.

Appropriate scientific methodology was used that includes methods such as: analysis, synthesis, survey, in-depth interview, comparative method and statistical method.

## **Literature review**

During a long period of time, those in charge of marketing in companies were thought to be people who want to spend company money but do not want to evaluate the results of their spending (Adler 1967). Later, when marketing investments became significant, management and researchers' interest in marketing performance measurement increased and that resulted with many studies (Donthu, Hershberger, Osomonbekov 2005; Lukas, Whitwell, Doyle 2005; Rust 2004). Furthermore, researchers worked to find a way to measure marketing's contribution to organizational performance (Ambler 2003; Bolton 2004, Morgan 2012). In addition, measuring marketing performance has become one of the key priorities of the Marketing Science Institute from 1998 onwards, and at the same time, researchers have been stimulated to intensify research in this area. As a result of the intensive studies, a number of key concepts have emerged in the area of measuring the results achieved by the undertaken marketing activities: marketing effectiveness, marketing efficiency, marketing productivity, marketing metrics and marketing performance.

For marketing to have a significant position in organizational decision-making, it must provide a way to clearly establish a link between the undertaken marketing strategic activities and the achieved level of organizational performance (Srivastava et al., 2006; Morgan, 2012; Bauer et al., 2016).

The conclusion so far is that, despite their significance, the approaches for measuring marketing performance have been criticized by both practitioners and researchers for their poor diagnostic ability and their focus on short-term results. This is because marketing is required to provide quick results, primarily expressed in higher levels of sales of products and services, and the long-term effects of marketing activities such as the development of strong brands that will allow the company to charge premium prices are not measured.

Developing a comprehensive understanding of how marketing is linked with business performance is critical for both marketing academics and managers. The need to link marketing with business performance has become more urgent as marketers have been forced to defend the value of their activities and budgets during the recession (Morgan 2012).

In the last twenty years, researchers have considerably enhanced conceptual understanding of the role of marketing in enabling firms to create and sustain competitive advantage. Recent advances in the marketing–finance interface have also begun to provide more empirical evidence of the

impact of specific marketing activities and different types of marketing-related assets on firms' accounting and financial market performance (Ketchen, Hult 2011).

Marketing performance can be defined as the efficiency and effectiveness of organizational marketing activities with respect to market-related goals such as revenue, development or market share (Ambler, 2003). Ambler devoted a great deal of time to studying marketing performance, but notes that there is a great deal of inaccuracy in defining it but that it can be measured using marketing metrics.

Marketing performance measurement is the assessment of the relationship between marketing activities and business performance (Clark, Ambler 2001). Marketing activities are activities such as marketing communications, promotion and other activities that are an integral part of the marketing budget. Marketing performance measurement must be central, not a peripheral activity in the company or organization, and must be in function of building a performance driven organization. The measurement of marketing performance must be rigorous and based on three basic principles: measurement must be relevant, measurement must be visible and measurement must lead to improvement.

Marketing performance measurement is an integral part of business performance measurement. The steps in the marketing performance measurement process are as follows: building a model for measuring marketing performance, providing data, analyzing data and generating key performance indicators, reporting on achieved performance, application of measurement insights in decision making and providing learning and performance improvement. In practice, a large number of different methodologies and frameworks for measuring marketing performance have been used such as: DuPont methodology, Performance measurement matrix, SMART (Strategic Measurement and Reporting Technique) pyramid, Balanced Scorecard, Business Excellence Model and Performance Prism (Todorovska, 2019).

Marketing performance measurement research can be divided into three research directions: measuring marketing productivity; identifying the used metrics and measuring brand equity.

Data-based marketing has become a dominant form of marketing in companies in recent years and the key to success in this field are measurable performance and proven marketing effects on overall performance. Indispensable elements in the marketing performance measurement process are the appropriate measures that are known in the literature as marketing metrics (Davis 2013).

Marketing metrics are by definition a measurement system used to quantify a trend, dynamics, or feature (Ambler, Kokkinaki, Puntoni 2004). The basic division of marketing metrics is into financial and non-financial metrics or indicators (Ambler, 2000, Jeffery 2010, Marketo 2011). The most popular and most representative financial indicators used to measure marketing performance are: market share, return on investment (ROI), return on sales (ROS), return on marketing investment (ROMI), gross, net and economic profit (EVA). The most popular nonfinancial indicators used in measuring marketing performance are: customer satisfaction and readiness for recommendation, customer loyalty and retention, and customer lifetime value (Farris 2010; Farris, Bendle, Pfeifer, Reibstein 2017).

Marketing performance metrics or key performance indicators (KPIs) are useful not only for marketing professionals, but also for non-marketing executives. The senior management team needs marketing KPIs to gauge how marketing activities and spending impact the company's bottom line. This is especially important since companies are prone to reduce marketing budgets during economic downturns, downsizing, and mergers.

KPIs are more than numbers that companies report out weekly - they enable them to understand the performance and health of the business so that they can make critical adjustments in the execution to achieve the strategic goals. Knowing and measuring the right KPIs will help companies achieve results faster.

As marketers face more and more pressure to show a return on investment (ROI) on their activities, marketing performance metrics help measure the degree to which marketing spending contributes to profits. They also show how marketing contributes to, and complements, initiatives in other areas of the organization, such as sales and customer service.

Companies use various methods to evaluate marketing: key performance indicators (KPIs) or metrics. Marketing Performance Measurement, Marketing Performance Management, Marketing Return on Investment (ROI), Return on Marketing Investment (ROMI), and Accountable Marketing are all metrics that companies use to connect marketing performance to the financial performance of the organization. The reason for the measurement is that everything that can be measured can be managed and improved.

Marketing metrics have practical application within marketing analytics, which is the process of identifying metrics that are valid indicators of marketing performance in pursuit of its goals, tracking those metrics over time and using the results to improve marketing performance. Very often the term analytics equates to the term metrics, but there is a clear distinction between them. Metrics are just an atomic unit of analytics, while marketing

analytics consists of creating a series of metrics or measurements in specific areas.

Marketing analytics can help the company to achieve better understanding of marketing performance. By applying the modern tools of this process, such as boards that summarize the most important marketing indicators, it is easy to determine whether marketing is working well or there are problems. Additionally, this process can be used to report on the achieved marketing performance. This is very important in the process of allocation of company resources since those departments that have bigger impact on the achieved level of performance have bigger credibility and negotiating power in the budget allocation decisions (Rackley Jerry, 2015).

The value of measuring performance is greater when the obtained knowledge is taken into account in the decision making process. Marketing performance measurement aims to reinforce managerial decisions and to lead to better results. When making decisions some of the measures have higher importance than others and the accuracy of their measurement affects the overall decision making process. The main output of the marketing performance measurement process is the performance report. The data presented in that report should lead to more informed decision making. The end result would be better decisions and better organizational performance.

Organizational performance is a set of financial and non-financial indicators that provide information on the level of achievement of goals and results (Lebans, Euske, 2006; Neely 2007). Organizational performance encompasses three areas of an organization's performance: financial performance (profit, return on assets, return on investment); product/ service market performance (sales, market share) and shareholder return (total shareholder return, economic value added, etc.) (Bititci Umit, 2015).

When analyzing the basic determinants of organizational performance the Institutional and Organizational Assessment Model developed by Universalia and the International Development Resource Center (IDRC) was applied. According to it, organizational performance is a multidimensional idea that balances effectiveness, efficiency, relevance and financial sustainability, but the framework itself suggests that organizational performance must be examined in relation to organizational motivation, capacity and the external environment.

Organizational performance measurement is completed using either traditional or modern measurement approaches.

Traditional approaches used for organizational performance measurement are based on information and techniques available in the accounting department and are basically financial measures such as ROI, net profit and the like which are basically focused on what has been achieved in

the past, and not on what is being done to create future value for all stakeholders. In practice, the most commonly used traditional tool for measuring organizational performance is the pyramid of ratios.

The most important contemporary approaches used to measure organizational performance are: The Performance Measurement Matrix, Results and Determinants Framework, The Performance Pyramid System, Balanced Scorecard, Integrated Performance Measurement Systems, The European Foundation for Quality Management (EFQM) and The Performance prism.

The key indicators used to measure organizational performance are divided into: financial indicators, indicators of measuring organizational performance from the perspective of customers, indicators of measuring organizational performance from the perspective of employees and process indicators.

According to The KPI Example Review, there are twelve key financial indicators used to measure organizational performance. These indicators are divided into six categories: profitability measures, cash flow measures, profitability ratios, liquidity ratios, solvency ratios and capital market rates.

The set of indicators used to measure organizational performance from a customer perspective consists of: net promotion result, customer retention rate, customer satisfaction index, customer profitability, customer lifetime value, customer turnover rate, customer engagement and customer complaints.

There are a number of indicators to measure performance from an employee perspective: value added of human capital, employee satisfaction index, degree of employee engagement, absence factor and wage competitiveness ratio.

Appropriate methodologies are also used to measure the processes such as: Business process re-engineering, POLDAT (People, Organization, Location, Data, Application and Technology), process mapping and benchmarking.

The most important tools for measuring organizational performance are: Balanced Scorecard and Benchmarking.

The Balanced Scorecard emphasizes the importance of measuring organizational performance from the perspective of strategic implementation, rather than simply measuring the financial performance. By focusing on operational, marketing and development inputs and not just financial results, this framework provides a clearer overview of the business. This tool encourages businesses to measure financial outputs and the reasons for the level of financial outputs achieved. Starting from the fact that organizations cannot influence the financial results, they should focus on measuring the areas where direct management intervention is possible. The Balanced

Scorecard Tool consists of four perspectives: financial, consumer perspective, internal processes perspective and innovation and learning perspective (Kaplan, Norton, 1992; Kaplan, Norton, 1996).

Benchmarking is a continuous process of measuring and comparing company products, services and practices with those of the toughest competitors or industry leaders (Camp, 1989).

Benchmarking is the comparison and measurement of a company's policies, philosophies and performances with high performing organizations, usually used when organizations want to improve their performance. This process identifies useful business practices, new and innovative ideas, effective operating procedures and winning strategies that can be adopted by the organization to ensure productivity improvement and cost savings.

Company information is collected in different functional units and prior to the establishment of company information systems there was often duplication of information or omission of important information in the decision making process because it was not available in the specific functional area. These shortcomings have been solved by modern management information systems.

Management information systems are formal systems that provide management with timely and relevant information on the basis of which decisions are made (Bailey, 2008). The main purpose is to provide the right information to the right people at the right time. There are the following basic types of management information systems: transaction processing systems, supply chain management systems (also known as Enterprise Resource Planning (ERP) Systems, Customer Relationship Management Systems, Business Intelligence Systems, Decision Support Systems and Expert Systems.

Management information systems have a major impact on the level of organizational performance achieved by improving the quality of decisions. The management information system connects all decision-making centers within an organization and facilitates decision-making by integrating specialized activities and enhances management's capacity to analyze, evaluate and improve organizational performance.

### **Research Methodology**

In this paper the following methods were used: analysis, synthesis, survey, in-depth interview, comparative method and statistical method.

The data in this research was obtained through an applicative research that was conducted on a sample of companies. The applicative research was

conducted in the period December 2018 to March 2019 and the answer was received from 170 companies from the Republic of North Macedonia that make up the sample. Out of them, 99 or 58.2% were micro companies with up to 9 employees, 41 or 24.1% were small companies with 10 to 49 employees, 19 or 11.2% were medium-sized companies with 50 to 249 employees and 11 or 6.5% were large companies. The research was conducted with the help of a structured unmasked questionnaire which was prepared in online form using the application Google Forms and additionally the questionnaire was prepared in printed form in order to cover companies that do not have active participation in the online environment (Todorovska, 2019).

On part of the sample, consisting of 20 companies, due to the limitations of quantitative methods as it is a marketing research that examines the attitudes, motivations and perceptions of managers who in the capacity of company representatives answered the questions, the in-depth interview method was applied in order to gain in-depth knowledge of the real situation of the researched issue.

The applied methodology consisted of exploratory and descriptive research.

In the exploratory research, the qualitative method of in-depth interview with twenty companies involved in the sample was applied, and for the rest a survey was conducted using a structured questionnaire consisting of dichotomous, multiple-choice questions and scales to gain deeper insights. The survey questionnaire was designed in an online and in printed form, and was completed by the top management of companies or company's marketing staff.

The descriptive research consisted of a survey research on a single sample of companies that was examined only once and provided information on how companies in the Republic of North Macedonia measure and identify marketing performance and how it affects the overall organizational performance.

The collected data was coded and prepared for analysis using the SPSS statistical package. During the data analysis, the strength of the relationship between marketing and organizational performance was examined with the coefficient of linear correlation and the regression method, which shows how the independent variables behave in relation to the dependent variables.

Data related to the levels of marketing and organizational performance were collected using a five-level Likert scale, in which case the statistics recommend the use of non-parametric tests and the Spearman correlation coefficient. If a Likert scale of seven or more levels was used, a Pearson parametric test and correlation coefficient would be allowed.



## **Research design, hypothesis, results and interpretation**

This research can be put in the category of research where correlation research design is used. Correlation research is a type of non-experimental research method in which a researcher measures two variables, understands and assesses the statistical relationship between them with no influence from any extraneous variable.

This research is a pioneer effort of research of this topic in Republic of North Macedonia where no similar studies have been conducted and the obtained results can be used as a building block of the knowledge of this topic in our country. This research can be used as a base for further research activities that could focus on parts of the relationship between marketing and organizational performance or could focus on the tools, indicators and methods of performance measurement.

Additionally, a follow up research can be done in order to compare the results and gain insight whether the situation has changed and the companies have improved marketing or organizational performance or they have started using new and more sophisticated tools for performance measurement.

Marketing's contribution to organizational performance, the tools and indicators for its measurement have always been a theoretically present but not well research topic especially in North Macedonia. That was the reason behind this research project that had the goal to bring deeper insight into this topic and provide the answer whether marketing activities, strategies and efforts can bring to achieving greater organizational performance which is the imperative for every business entity.

The main hypothesis that came from this research effort, which will be tested and therefore accepted or rejected, is the following:

**H<sub>0</sub>:** Higher marketing performance of companies contributes to achieving higher organizational performance.

**Results** - The following section will summarize the concluding observations and recommendations based on the analysis of the research data carried out with qualitative and quantitative methods. They can serve as a basis for ideas for future research or implementation of new or already existing processes in companies aimed at improving marketing and overall organizational performance.

Regarding the number of employees, according to the State Statistical Office in the economy of Republic of North Macedonia, companies with 1 to 9 employees are most numerous, followed by companies with 10 to 49 employees, 50 to 249 employees and over 250 employees. This structure was the basis for the design of the sample in order to achieve greater

representativeness. Out of 170 companies, 99 or 58.2% are micro companies with up to 9 employees, 41 or 24.1% are small companies with 10 to 49 employees, 19 or 11.2% are medium-sized companies with 50 to 249 employees and 11 or 6.5% are large companies. The size of the company is very important because it affects the complexity of the organizational structure and the availability of various resources, especially human resources, which can be deployed to the appropriate functions and financial resources for marketing investments and that is why it was important to include companies of different sizes in the sample.

In the Republic of North Macedonia, in recent years, there has been a trend of increased involvement of women in the management of companies, thus our country is following the world trends in which there is almost gender equality in the top management positions.

In the Republic of North Macedonia there is a trend of acquiring higher levels of education, which certainly is a benefit for the companies that hire those educated people who have knowledge of the latest practices, tools and approaches in terms of managing and achieving better performance. In the conducted in-depth interviews, many stated that the best talent emerging from higher education tends to gain employment in state institutions or large companies, which, of course, reduces the number of quality job applicants in small companies and thus limits their innovative potential and the ability to implement appropriate strategic and performance measurement systems that would be the basis for improving their performance and market growth. A potential solution for them is the possibility of attending trainings or available appropriate online content that could enhance their education in this area and those could be organized in collaboration with local universities.

Although most of the surveyed companies were older, well established business entities, the fact is that there are quite a few young companies trying to succeed in the market is very encouraging. It is very important for an economy to retain its older members, but also to attract new ones who would embark on an entrepreneurial challenge and seek to turn their business ideas into real businesses.

Whereas the position of marketing in companies in the Republic of North Macedonia is concerned, most often, given the micro-dominated business structure, there is no separate marketing department responsible for planning and implementing marketing strategies and activities. It can be a limiting factor for the role of marketing in companies and the achieved marketing performance, but on the other hand, based on the results of the research, encourages the fact that in most of the companies that have no marketing department there is a person in charge of marketing or marketing is in the hands of other managers. Although in some cases it may be

inappropriate due to lack of adequate marketing knowledge, it is positive as it unambiguously shows that companies in North Macedonia think and work in the field of marketing. The in-depth interviews showed that companies often strive to improvise in the field of marketing and that very often they build their brands through the use of social media that offer them free ways of promotion and through this they increase their visibility and image.

Most of the companies have a strategic approach in dealing with marketing issues through well-developed marketing strategies, but a big concern is the fact that there are a lot of businesses that do not have a strategic approach to this issue which increases the risk of wrong investments in activities that will not contribute to the achievement of the organizational goals and which may even jeopardize their survival.

Generally, in the Republic of North Macedonia, companies invest in marketing activities and this is also shown by the results of the survey according to which only a small part of the surveyed companies stated that they do not have any costs/investments for marketing or brand activities which is certainly positive but on the other hand, for most of them, the amount of investment in these areas is very small. According to the companies, investing in activities that they are not sure that will yield results is risky and therefore they are more likely to invest in other things such as quality products or services or operational activities rather than in marketing and brand activities. Achieving better results requires investment, but for those investments to be justified and approved, the proper construction of plans, activities, budgets, performance indicators that should clearly demonstrate that the investments undertaken are worthwhile is absolutely crucial. In this domain, companies, especially smaller ones, stated that they need appropriate support from the academic community that can serve as a development partner by offering appropriate knowledge, tools and mentoring.

The basic prerequisite for companies' progress and performance improvement is the existence of a defined system and process for measuring the achieved results and if necessary taking corrective actions based on the measurements. In terms of measuring the achieved marketing and organizational performance, 39,4% of the surveyed companies measure marketing performance, while 78.8% measure the achieved organizational performance. Based on this it can be concluded that there is room for improvement regarding the issue of performance measurement, especially when it comes to measuring marketing performance.

Regarding the frequency with which marketing performance is measured, measurement is mostly done when a need arises which means when new activities are implemented, which can be dangerous and

counterproductive, as there is no consistency in measurement and no database is created in the field that would keep all the knowledge. This way, instead of going in the direction of improvement, the measurements start from the beginning without combining them with the previous ones and the focus is not placed on certain areas which in the previous measurements have been identified as problematic.

Organizational performance, for most companies, has defined measurement intervals, which of course is ultimately reflected on the level of achieved organizational performance which is higher compared to marketing performance. Measurement activities produce data and information, which the surveyed companies apply to make changes in strategies and activities. This is, of course, positive because any information that is not properly applied is useless and only generates collection costs and does not contribute to problem solving or progress.

Companies in North Macedonia use various methods and indicators in the measurement, and in the survey it is particularly positive that the companies have identified almost all the tools and indicators used in world practice as tools and indicators used in their practice. This can be seen as an indicator that companies and their employees are up-to-date and incorporate modern approaches to managing and measuring performance. Furthermore, none of the companies stated that it uses its own measurement methods and in that context the academic community could work on developing affordable and simple tools such as marketing boards or similar tools that would simply summarize key indicators and would signal the health of the business entity and simplify decision making. These tools would primarily be developed for smaller companies with fewer resources and less likely to devote themselves to developing performance metrics and tools.

The survey also provided insights into the strategies used by companies and from the answers it could be seen that most of the surveyed companies use strategies which should help them increase sales volume and thus market performance, and some of the more successful companies that also take leadership positions try to maintain their current market share or focus on those consumers who are most profitable to them.

According to the surveyed companies, marketing and organizational performance are interrelated, not only according to the statistical parameters that would examine their correlation, but also by the fact that the application of marketing strategies and activities has a positive impact on improving the overall organizational performance. Companies that achieve good organizational performance, according to those surveyed, have more resources and capabilities to invest in marketing activities.

The main objective of the research of this paper was to research the interdependence of marketing and organizational performance and the main

hypothesis was that higher marketing performance of companies contributes to achieving higher organizational performance.

To test this particular hypothesis, the correlation method was applied, which was supplemented by the regression method. Using the correlation method, the strength of the relationship between the variables was examined, which in this case are the levels of marketing and organizational performance.

Data related to the levels of marketing and organizational performance were collected using a five-level Likert scale, in which case the statistics recommend the use of non-parametric tests and the Spearman correlation coefficient. If a Likert scale of seven or more levels was used, a Pearson parametric test and correlation coefficient would be allowed.

In this case, after performing a parametric and non-parametric test by calculating the Pearson coefficient, almost identical results were obtained as with the application of the Spearman coefficient and accordingly in the further analysis in testing this hypothesis the Pearson correlation coefficient will be used.

The Pearson correlation coefficient between the level of marketing and organizational performance is 0.529 with a significance level of 0.01 and it shows a strong positive correlation between them, so if marketing performance increases, organizational performance will increase and vice versa, if marketing performance decreases organizational performance will also decrease.

The correlation analysis and coefficients are summarized in the table below:

*Table 1: Correlation analysis of marketing and organizational performance*

Correlation		Level of marketing performance	Level of organizational performance
Level of marketing performance	Pearson Correlation	1	,529**
	Sig. (2-tailed)		0,000
	N	170	170
Level of	Pearson	,529**	1

organizational performance	Correlation		
	Sig. (2-tailed)	0,000	
	N	170	170
<b>**.</b> Correlation is significant at the 0.01 level (2-tailed).			

The main hypothesis that will be subject to testing was the following:

**H<sub>0</sub>:** Higher marketing performance of companies contributes to achieving higher organizational performance.

To test this hypothesis, the linear regression method was used in which the dependent variable is the level of organizational performance while the independent variable is the level of marketing performance. Their correlation was already elaborated in the previous segment and it was 0.529. After the linear regression was performed, a value for the adjusted  $R^2$  of 0.275 was obtained, which shows that 27.5% of the variability of the dependent variable, which in this case is the level of organizational performance, can be explained by the independent variable - level of marketing performance.

*Table 2: Regression model*

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	,529 <sup>a</sup>	0,279	0,275	0,909
a. Predictors: (Constant), Level of marketing performance				
b. Dependent Variable: Level of organizational performance				

The F value from ANOVA indicates whether the regression model corresponds to the data and from the table below it can be concluded that the independent variables statistically significantly predict the dependent variable, where  $F(1,168) = 65,118$ ,  $p < 0.0005$  and accordingly it can be concluded that the data are suitable for the regression model.

Table 3: Data and model suitability using ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	53,757	1	53,757	65,118	,000 <sup>b</sup>
	Residual	138,690	168	,826		
	Total	192,447	169			
a. Dependent Variable: Level of organizational performance						
b. Predictors: (Constant), Level of marketing performance						

Furthermore, the obtained coefficients are presented in the regression analysis.

Table 4: Regression analysis coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,975	0,203		9,711	0,000
	Level of marketing performance	0,551	0,068	0,529	8,070	0,000
a. Dependent Variable: Level of organizational performance						

According to the obtained results, the equation for predicting the level of organizational performance is the following:

Level of organizational performance	=	1,975 +	0,551xLevel of marketing performance
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This means that for each unit of improved marketing performance there is an increase in the level of organizational performance of 0.551.

The table also presents the t-value and the p-value which show that all coefficients of the independent variables are statistically significant and different from zero. Based on all the above, it can be concluded that the hypothesis that higher marketing performance contributes to higher organizational performance should be accepted.

### **Conclusions and recommendations**

The research and analysis of the results clearly show that there is a positive correlation between marketing and organization performance and that marketing contributes to achieving higher levels of organizational performance based on the results on a sample of companies coming from North Macedonia.

The field of measuring marketing and organizational performance is a very perspective field in our country where quite a large number of companies do not have formal measurement systems and in this regard education on the benefits and specifics of performance measurement processes should be undertaken.

The main threat to greater popularity in this field is the lack of sufficient information and the fear of high complexity. Adequate education, access to tools or the development of appropriate tools that fit the needs and requirements of the companies themselves are needed. There are a number of simple tools that give very precise guidance and information that can greatly simplify decision making and help the company choose the right path for developing their own activities. This and further research in this field can lead to development of software tools that can be easy to use by all companies and can give a clear overview of the current situation of marketing and organizational performance and maybe in the future predictive features can be added in order to adapt them and make them useful for creating models and predictions for the future.

In this domain, the academic community in our country would have a great role to play in the development of this research area, through appropriate cognitive support and mentoring to improve the strategies and activities and as a result improve the overall performance. The academic



community does not only include the academic staff engaged in higher education institutions but also the students who through practical application of the knowledge gained on the one hand could gain practical experience and on the other hand would contribute to the development of business entities of course under the guidance and mentoring of appropriate academic staff.

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## THE IMPACT OF CULTURAL FACTORS ON THE MARKETING COMMUNICATION OF COMPANIES

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### Abstract

*Culture is considered as the framework within which an individual becomes a member of a certain society is at the same time an important factor that influences the marketing communications of companies. The influence of culture on consumers is so natural that it is very difficult to notice, but the study of culture is the study of the beliefs, values and customs that serve for regulation of the consumer's behavior as members of a certain society and they are transferred through education, experience, instructions and imitation. Marketing communications represent the means by which companies establish dialogue, develop and build relationships with consumers, while they represent the "voice", products, services and brands of the company. The success of the marketing strategy of the company depends primarily on the knowledge of the needs, desires and consumer behavior and decisions to purchase products and services and that determines the sales and profits of the company. The key to successful marketing strategy, both domestically and globally, is a thorough understanding of consumer behavior and understanding of numerous internal and external factors affecting their behavior, their needs, desires, attitudes, beliefs, opinions and motives and emphasis is given to the culture. This paper aims to research the influence of culture on the marketing communication strategy applied by companies. To reach this goal an applicative research will be conducted on a sample of respondents and appropriate conclusions will be drawn.*

**Keywords:** marketing communications, culture, consumer's behavior, buying decisions.

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## **Introduction**

Culture can be defined as a set of learned beliefs, values and customs that serve to guide the consumer behavior of all members of that society. Culture affects the way of life, consumption, decision making by individuals. Culture is acquired. It can be gained from family, from the region or from everything around us as we grew up and learned. Culture forms the boundary within which the individual thinks and acts.

Culture affects consumer behavior and as such it is from crucial importance for companies. Companies compete on the market to attract consumers and often attract them with their marketing communications. Developing a successful marketing communication strategy requires knowledge of the consumer and the main factors that influence him and among them the most important factor is of course culture.

### **Literature review of the impact of culture on marketing communications of companies**

Culture and its features represent a lifestyle and a way of consumption and attitude towards products, marketing strategies of companies and it is important to research them. The study of culture is the study of all aspects of society, the language, knowledge, laws and customs that give each society its own distinctive character and personality. Culture as a broad concept of interest to the market, should be investigated within smaller groups or sub-cultures that have common or similar values (in terms of nationality, religious beliefs, geographic location, special interests, etc.).

Howard and Sheth defined culture as a set of patterns of behavior (Chisnall Peter, 1980).

Culture is taught in three ways: formal learning, non-formal learning and technical learning (Holmes Robyn, 2020).

1. Formal learning: parents and seniors teach children the right behaviors. For example, younger ones are taught that they need to learn to be successful and happy in life. This learning can affect the response as a student and as an individual to education.

2. Informal learning: we learn by imitating the behavior of our parents, friends, or watching television and movie actors in action.

3. Technical learning: instructions are given for the specific method of doing certain things such as painting, dancing, singing, etc.

Culture is transmitted to the members of the society by a common language through common symbols, while the communication with the

market is successfully transmitted to the consumers through the media (Schiffman, O'Cass, Paladino, 2013).

Advertising and other marketing communication tools enhance formal learning to people by reinforcing desired behaviors and expectations and enhance non-formal learning by providing models for behavior.

Technology and material culture as material determinants are an important factor that affects the marketing communications of companies. The basic (transport, energy and communications), social (health, education and a system of housing), financial and marketing infrastructures (banks, agencies, etc.) of a society and culture are the starting points for marketing research. If the company wants to develop its work in underdeveloped areas it must be a partner in the development of infrastructure before starting the work, and that financially would cost much more than if there is a high level of developed infrastructure that would be a benefit for the company.

The level of material culture or the degree of industrialization can serve as a basis for market segmentation, and for companies that sell industrial products this is a very important starting point. In developing countries there is the greatest demand for basic household appliances, unlike most developed economies, where there is bigger demand for saving time appliances (Kotler, 2002).

Technological change is one of the main reasons for the change of culture in many countries in the world and they have a great impact on the convergence of different cultures. Increased leisure time is a characteristic of Western culture and it is a direct result of technological development. The level of material culture also affects the marketing decisions of companies, so it is necessary to continuously collect and analyze information on the level of culture of the countries and their priorities. From the availability of media in a certain area depend all the marketing communication measures that the company wants to convey to the targeted audience( Kotler, Keller, Brady, Goodman, Hansen; 2009).

And the intangible cultural determinants such as attitudes, beliefs and values of people are very important for marketing communications of companies. The values that people learn within a culture affect how they are thinking and behaving. It can also happen that people from the same country have different values. As an example we can take the German people. The knockdown of the wall between East and West Germany showed that although the Germans are the same people, they have different cultures. The citizens of West Germany are competitive for success and excellence, while the citizens of East Germany are less disciplined and care less to impress its executives. Within each largely dominant culture there are subcultures, smaller groups with their own common attitudes, beliefs and values.

Depending on the culture and cultural values and attitudes of consumers, companies can use psychological prices (999 denars) or promotional prices (various discounts, gifts and so on.), and it depends on market research. Marketing communications are especially important to continuously collect and analyze information about the attitudes, beliefs and values of people in a community to enable faster, more efficient and more effective application of marketing decisions in the competitive market. Attitudes, beliefs and values of people in different countries can be particularly challenging in terms of globalization.

The diversity of world cultures is reflected also through the language, so it is important for successful marketing communications to continuously collect and analyze information for the linguistically heterogeneous and the choice of language in a certain area. Language is a key mean for communication with customers, distribution channels and other partners, particularly in international marketing and linguistic heterogeneity is a factor that contributes to the complexity of international operations (Ferraro, Briody; 2015).

In the world the most spoken language is Chinese - more than a billion people, but under the influence of globalization the mostly spread language is English. Today most of the world's population speaks English as a foreign language and it is more than the people to whom English is their native language.

Incorrect or inappropriate translations of names of products and marketing messages can reduce the effectiveness of the promotional activities of a company. In countries where there are subcultures in their own language or differences in speech only good local advertizing agency and an agency for market research can prevent problems with the language and that can be done by using local help and with choosing a good translator. In nonverbal communication five key elements are important: time, space, property rights, forms of friendship and business deals that represent starting basis to understand the work in different cultures and countries. For effective communication it is necessary to pay special attention to the different concepts of time, different understanding of space, different understanding of mutual knowledge and trust.

Religion has a bug influence on culture and attitudes towards social organizations, consumption and production. Of great importance to marketing research and communications is the knowledge and research of characteristics of the dominant world religions: Christianity, Islam, Hinduism and Buddhism. For successful marketing communications, companies need to explore and take into account the religious beliefs and behaviors of consumers in a particular country ( Lee, Carter; 2012).

And education as a determinant of culture has a huge influence on the choice of marketing communications of companies. The extent and nature of education deviate on every market, so their impact on the type of message or the medium are very important. For example, if your target market segment has a low level of the literacy, you should prefer radio advertising or visual media, such as billboards and vice versa, if there is a high level of literacy you can include all types of marketing communications and especially the Internet and electronic messaging. The educated people need sophisticated information products and they tend to use more sources of information when making buying decisions.

Given that social institutions affect the way of behavior of individuals they are of great importance for marketing communications. Thus, family relationships and the strength of family bonds are very important to marketing research companies because they affect the structure of consumption (Lackman, Lanasa; 1993).

A family in Western industrialized economies is consisted of parents and children, while in many cultures they include other members of the extended family (Islamic countries, sub-Saharan Africa, etc.). The division of the population in social classes affects the various forms of consumption. This stratification of society comes from Northern Europe, where the majority of people are in the middle class but also there are societies such as India, where the higher class controls the purchasing power and makes the decisions. Social classes have completely different forms of consumption that affect mostly the purchase of furniture, household appliances, food and alcoholic and soft drinks. Important dimensions of class structure are: the number of different classes, degree of mobility and relative size.

The reference groups are a very important part of the socialization process of consumers in particular society as they provide values and attitudes that are influential in the formation of specific consumer behavior in the market. In primary reference groups are included the family, workmates and other close groups, the secondary groups include social organizations, professional associations, etc. (Lamb, Hair, McDaniel; 2012).

Besides socializing, a research of the different groups is important because they develop the concept of the personality of the individual who manifests by using certain products.

Esthetics is one of the determinants of each culture and it is expressed in art and music and has influence on the choice of marketing communication tools for companies. Products, packaging or advertising that are attractive in a culture can be perceived differently in another, and in some cases it is necessary to adapt products, packaging or advertising to local perceptions and preferences of colors, shapes and music. Color is often used

as a means of identification of brands, for reinforcement of certain characteristics and differentiation. In international markets, the colors have a more symbolic value than in domestic markets, and the choice of color is important when making decisions for packing and advertising, for shops and interior design of web pages. Thus, black has the same symbolism in the US and Europe, while White has the same symbolic value in Japan and most countries in the Far East. It takes continuous collection and analysis of information of the intercultural differences in perceptions and preferences of colors, so that companies would make more efficient, effective and profitable marketing decisions. The same applies to the adjustment of local musical tastes in advertising products - to sell the products in local markets; they have to sing 'local tunes.'

In today's conditions for companies it is very important to examine also the changes that occur on the elements of culture. These changes relate to the change in the relationship work - entertainment and the growing desire of people for leisure, the decreased influence of the family, change in social values, the reduced influence of religion and religious institutions and changes in the educational institutions (higher percentage of educated workforce and a new approach to education).

The family as a key medium in the transmission of the basic social values from generation to generation, starts to lose its traditional meaning, and as a result of the employment of both parents, the children are raised in educational institutions, and also there are a higher percentage of divorced couples. And social classes, the position of men and women, the behavior of groups and age groups are different within different cultures, so they all have a great impact on marketing communications of companies.

Any changes that occur in the culture of a broader community are result of the change of the people's behavior and the adoption of new lifestyles and new values. Cultural change for better health care and fitness create opportunities for the development of companies and industries dealing with the production of low-calorie food, healthy food production, eco-friendly products and production of different exercise equipment. And the growing desire of people for "free time" results in increased demand for ready meals, microwave ovens, increased direct marketing services such as electronic banking and insurance and the like.

Each wider culture consists of several subcultures which may include nationalities, religions, racial groups or groups of people who share the same geographical location. These subcultures create their own distinctive market segments that have very different values and characteristics ("culture of youth", "club culture", "gray generation"). And within each class there are groups that have their own specific characteristics, behaviors that should be taken into account when doing a marketing research (Jenks, 2005).



To measure the impact of culture, companies use a number of procedures: analysis of the content of the culture, ethnographic fieldwork and procedures for direct measurement of cultural values in a society. Some of these methods are different from traditional approaches, the most common occurrence in the study of consumer behavior are surveys, telephone interviews, focus groups and the like. Companies that want successful communication with the targeted audience must carry out an analysis of the impact of culture on any instrument of the marketing communications mix separately: economic propaganda, sales promotion, direct marketing, personal selling and public relations and publicity.

### **Methodological framework of the research**

There are several objectives of this research, but as a general objective of the research is to analyze the impact that culture has on consumer behavior and on marketing communications of companies. To achieve the above mentioned objective a number of scientific methods were used, such as analysis, synthesis, comparison, deduction, induction, etc.

These methods of research were used in the process of collecting primary and secondary data with the use of survey research, additionally using available literature and internet search. The application of these methods was done in order to obtain multiple source information that will give more detailed results and conclusions.

### **Applicative research of the influence of culture on marketing communication strategies of companies**

In order to determine how culture influences the marketing communications an applied research was conducted. The aim of this study was to specifically examine and recognize the influence of culture on marketing communications of companies in the Republic of Kosovo. The technique that was used for research is survey and the collected data was analyzed using software.

There were 50 respondents, 50% are men and 50% are women, and the survey was conducted on 44 people of Albanian nationality and 6 with Serbian nationality. The majority of respondents or 37% are aged 21 to 30 years, 27% were aged 31-40 years, 15% aged 41-50 years, 20% aged 51-60 years, and only a 9 % of respondents were over the age of 61 years and 1% under the age of 20 years.

According to the level of education, most respondents (40%) have secondary education, 31% have higher education, and other levels of education, primary, college and Master, accounted for approximately the same number (10%, 10% and 9%). Considering the employment status of the respondents, 57% have the status of employees, 34% are unemployed and 9% are pensioners.

According to the number of family members, the majority or 54% of the respondents live in a family of 3 to 4 members. The category of families with 5 and more members accounted for 40%, and category 1 to 2 members 6% of respondents. In terms of the monthly income of the family, the majority of respondents - 35% fall in the category of up to 500 euros, while 18% were in the category to 200 euros.

In terms of the efficiency of the promotional mix, compared with the nationality, respondents gave the following answers:

*Table 1: Efficiency of promotional mix/Nationality of the respondent*

Nationality/ What affects your buying decisions?	Good promotio n on TV	Recommendation s from friends and family	Internet	Printed media	Discoun ts and awards
Albanians	8	10	12	4	10
Serbs	0	0	2	0	4

From this we can conclude that the Internet and discounts and rewards have a leading influence on the process of making purchasing decisions to the members of both the Albanian and the Serbian nationality.

Asked whether the beliefs, attitudes and traditional values and customs of consumers influence the behavior of consumers on the market, the respondents gave the following answers:

*Table 2: Influence of culture on consumer behavior*

Do you agree that the beliefs, attitudes and traditional values affect your behavior as consumers on the market?	a) they influence a lot	b) partial influence	c) they do not have any influence

Albanians	28	12	4
Serbs	4	2	0

The next question was about the influence of religion on consumer behavior and their perception of marketing communications of companies. We received the following answers:

*Table 3: Influence of religion on consumer behavior*

<b>Do you think that your religion has influence on your perception of the marketing communication of companies and your buying behavior?</b>	<b>a) yes</b>	<b>b) partial</b>	<b>c) no</b>
Albanians	40	4	0
Serbs	6	0	0

Both the members of the Albanian and the members of the Serbian nationality who have different religious beliefs, think that there is a strong influence of these factors on their behavior as consumers in the market and on their perceptions of marketing communications of companies.

From everything that was said above and analyzed on the basis of data obtained from the survey it can be concluded that cultural factors have a major impact on consumers and thus on marketing communications of companies that have to find the appropriate way to approach the diverse audience.

## **Conclusion**

From the conducted research it can be concluded that cultural factors such as religion, customs, tradition, and family influence the behavior of people as consumers and on their perception of marketing communications of companies.

These findings can be very useful for companies in Kosovo when creating their marketing campaigns and efforts both for products and services that are now offered on the market and those that are under development. Thus, companies will be able to perform much better in the market to fight

with foreign competitors and to meet the needs and demands of consumers and their profit goals. Only through a deeper research they will discover the impact of cultural factors on consumers and will be able in the future to develop marketing communications that will yield the expected results.

Many companies often complain that they have small marketing activities due to lack of money or because of the inefficiency of the same, but today's modern age of the Internet does not require excessive investment and they can make a lot more with little means but with a good strategy and based on accurate information and facts about the factors that influence.

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## **IMPLEMENTATION OF THE BALANCED SCORECARD AS A SYSTEM FOR MEASURING PERFORMANCE IN THE SECONDARY EDUCATION**

Natalina Stanojovska<sup>3</sup>  
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### **Abstract**

*The Balanced Scorecard (BSC) as a tool for measuring performance can increase the quality of secondary education and create advantages when it comes to national competitiveness. But the implementation of this strategy requires active contributions from all employees in the organization. Every member of the secondary education institutions should understand the strategy and carry out everyday tasks in ways that will contribute to the success of the organization. Communication in education is a key factor for the realization of these initiatives. On the other hand, the successful implementation of the BSC can provide feedback to each member of the organization, and this can encourage individual growth and improve organizational performance. Financial parameters do not capture the key success factors of secondary education organizations. They are not enough to give a real picture of the mission dimensions, vision, and strategic directions of secondary education organizations. The BSC as an information-based system is adequate to remove the constraint associated with traditional measures for evaluating the current state of secondary education. The paper highlights some suggestions as a result of practical experience and research, which sufficiently speak to the applicability of the BSC in secondary education as a system for measuring performance.*

**Keywords:** Balanced Scorecard (BSC), secondary education, organization, strategic planning, performance measurement.

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## **Introduction**

The Balanced Scorecard (BSC) is a strategic planning system that can be used in all organizations, both manufacturing and service-oriented. The main goal of the application of this system is to adapt the activities to the vision and strategy of the organization, by monitoring the performance concerning the strategic goals. The concept was first published in 1992 by Robert Kaplan & David Norton.

The Balanced Scorecard enhances the role of traditional financial performance measurement in three non-financial areas: the organization's attitude towards its customers, its key internal processes, and its learning and development. When considering the effectiveness of these measures in addition to financial indicators, the result is not only a broader perspective for the development of the organization, but it is also a matter of affirmation of a powerful tool, especially in the phase of organizing work and management of employee's performance. The Balanced Scorecard as a system is not only used in large organizations, as traditionally thought. This system, i.e. this tool for performance appraisal, is also used in small and medium enterprises, where it can provide an excellent overview of the leading concepts of management and also measurement of the individual and organizational performance. This means managing the activities in the business organizations so that all phases of organizing the work and realization of the activities are in accordance with the strategy of the organization.

Scorecard levels are adjusted to individual business units and service organizations, and comprehensive strategic goals and measures, have been adapted to the goals and measures, appropriately to each specific target group. Linking these goals to individual performance compensation systems, yields "personal scorecard results" in both manufacturing and service-oriented organizations. In doing so, individual employees will see how their productivity supports the overall strategy, as well as the effectiveness and efficiency of the organization.

The Balanced Scorecard approach and its practical application enable the transposition of the organizational vision into action plans, as well as their full implementation. Financial metrics, while still in use, are a result of a bygone era, typical of typical industrial companies where, investing in long-term competencies and customer relationships have not been key to organizational success. These financial measurements are not the only factor today when values in organizations are created by investing in customers, employees, processes, technology and innovation. The organizations where, the Balanced Scorecard is implemented, have the following strengths:

- Realization of higher performance of the organization, by measuring what is most important;
- Increasing the focus of the strategy and the results of the work;
- Harmonization of all factors acting on a common strategy;
- Prioritization of projects;
- Identifying areas where there is space for improvement;
- Enabling growth, stability and development of the system.

So, the Balanced Scorecard is not only an indicator but also a methodology that identifies financial and non-financial parameters related to strategic parameters. This avoids creating costly initiatives that have no bearing on the strategy.

The various strategies and value increases through the application of the Balanced Scorecard are presented with the help of the four perspectives on which this principle of performance measurement and management is based: finance, internal processes, clients, and learning and development of organizations. More organizations have different methods of communication, coordination, and implementation, but the Balanced Scorecard is an effective way of working, applicable in educational organizations as well.

The idea of managing organizational performance is widely accepted and adopted throughout the world. It has spread rapidly from the private to the public sector in the developed world and has recently found its way into many developing countries. According to Salem (2003), the terms “performance, management, and measurement” refer to any integrated and systematic approach to improving effectiveness and efficiency, by achieving strategic goals and promoting the mission and values of the organization.

Leaders play a vital role in achieving organizational goals by creating a conducive environment that influences employee behavior, attitudes, and motivation. According to several research works, competent management allows the employees to be more engaged and to improve their performance. Leadership competence is a fundamental determinant of organizational effectiveness and efficiency (Gavrea et al., 2011).

The aim is to inspect the scope and rate of progress in achieving the set goals and producing certain desired results. It requires proper performance measurement and evaluation, comparison between planned and achieved, as well as providing appropriate feedback on achievements (Balaban et al., 2011).

Therefore, each manager needs to design his performance management system. To emerge victorious in the global crisis, large companies must have good managers with the skills necessary to lead the organization in the future, as well as to maintain high performance (Caruso, 2012).

Numerous studies have stated that performance management is “a



sophisticated and powerful tool that can not be separated from other management systems and helps line managers to practice managing people and responsibilities, to be able to effectively get the best of them” (Sherwani, 2015).

Confirmation of the existence of a strong correlation between organizational performance management and future results is a sufficient signal for researchers to attempt to apply the existing BSC concept. Thus, this system completely becomes an instrument of strategic management, based on four perspectives: finance, internal processes, clients, and learning and growth (Kaplan & Norton, 1996).

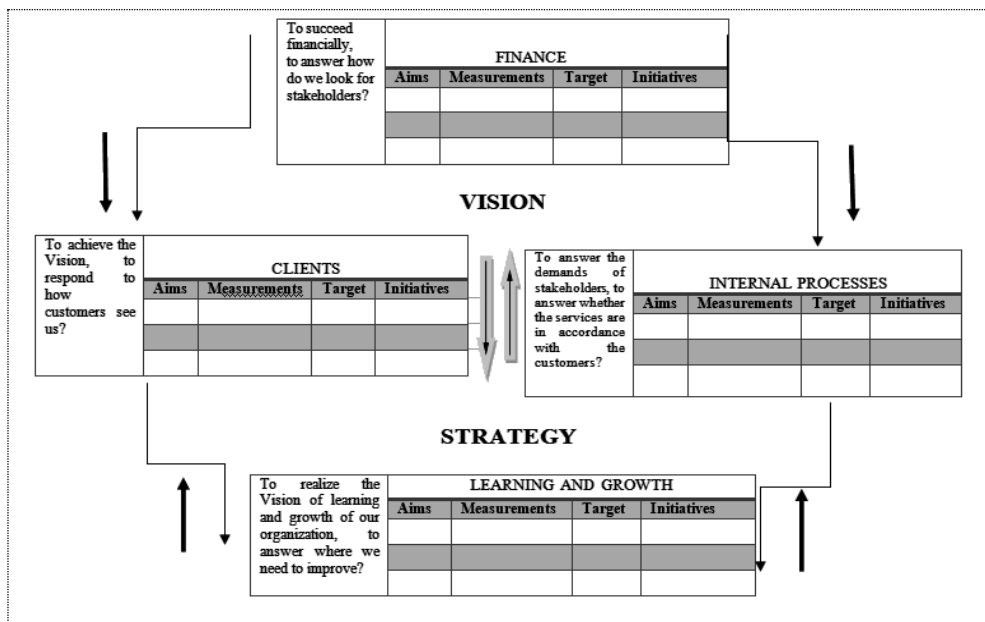


Figure1: Translation of the vision and strategy: the four perspectives (Kaplan & Norton, 1996)

Although this approach is used in educational organizations, it does not mean that we want to ignore traditional financial measures. On the contrary, the financial perspective is the main focus of the Balanced Scorecard. The educational organizations, i.e. the employees possess certain knowledge that they use to create the services, which are then placed on the clients. Many employees consider not only their salary as compensation for their work but also their rewards and recognitions.

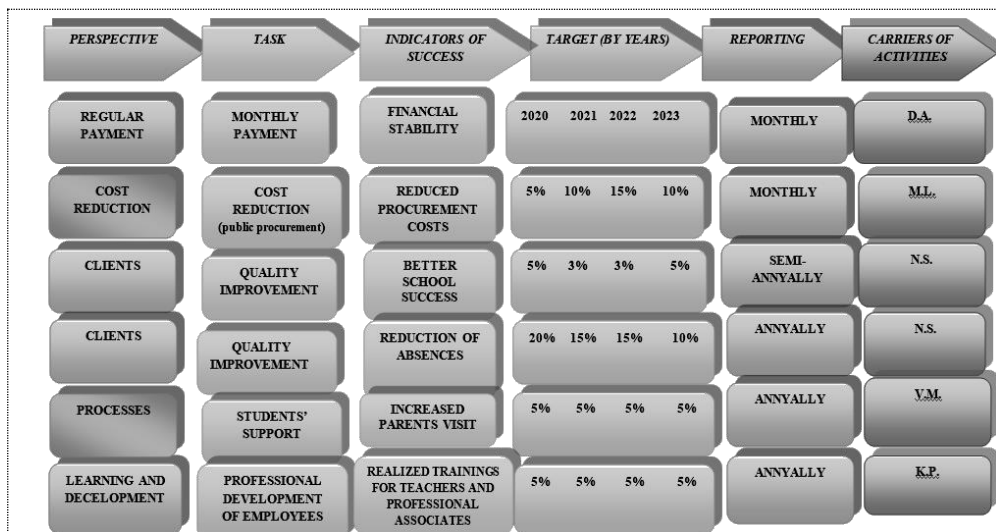
This perspective encourages us to take a step back and get answers to the following questions: Have we provided what our customers really want?

What do we need to be better at? Managers have certain competencies that they use to manage the internal processes. However, we always need someone to control the work from the outside, to get feedback on our success.

The customer perspective focuses on the people who actually use the services. In a dynamic time when the competition is increasing, it is necessary to constantly analyze the needs of customers and to provide appropriate services that will meet their requirements. The learning and growth perspective refers to our overall organizational architecture. This perspective includes internal and external trainers who will provide consulting services to employees, which will facilitate and speed up the work process of existing employees, and will make it easier to introduce new employees.

It is crucial to create a model for performance management in educational organizations, and this will help understand employee performance, through performance measures, employee rewards, accurate job evaluation, and the provision of constructive feedback, which aims to redefinition of the system and efficient functioning of educational organizations.

In addition, here is a way (model) for measuring the performance and progress of employees in secondary education organizations, through the application of the Balanced Scorecard (Figure 2):



*Figure 2: Proposed model for practical application of the Balanced Scorecard in secondary education (Author's knowledge and practical experience)*

The paper covers the following parts: related research on this topic, and data and methodology used for their processing, discussion about obtained results, conclusion and recommendations for future activities.

### **Related research on this topic**

The complexity of managing organizations today requires managers to be able to analyze performance in multiple areas, simultaneously. The implementation of the BSC includes changes, and for that there is a need for investment in time and transition, to a culture of accountability and responsibility, which are not welcomed by all members of educational organizations. Employees are usually stuck in traditional methods and research has shown that they find it harder to innovate. However, there are a number of examples that point to the benefits of applying the BSC, such as in Iranian educational organizations, where priorities have been identified in several areas (Tohidia et al., 2010):

- Educational organization focuses on higher strategic education services instead providing numerous low quality services;
- There is compliance of the annual action plans with other plans in the organization;
- There is greater involvement of employees in the decision-making process.

Public high schools in Portugal today face enormous management challenges. The reorganization of the school network has contributed to increasing the complexity of management. Central administration increases demands for responsibility towards schools, either through the participation of external community in the governing bodies of the schools or through internal and external evaluation of the activities, to increase the quality of the educational services. The Balanced Scorecard has been proposed to help manage schools by focusing on what is most strategically relevant for their activity (Melao, 2012).

A limitation of these studies is the inability to make generalizations from individual research. However, these and similar studies on this topic provide opportunities to continue exploring the relationship between BSC and school performance appraisal systems, to analyze the impacts of BSC implementation.

## **Data and methodology**

In the questionnaires that were electronically submitted to the secondary education organizations in the Pelagonia Region, the respondents could comment on the impact of teaching staff, professional services staff and management teams, on the overall organizational performance. During the empirical research, the data was obtained using an electronic survey questionnaire, consisting of 39 questions. The questionnaire was the primary tool during the research, while unstructured interviews, conversations, diary with notes, practical experiences and knowledge, systematic observation, etc. were used as secondary sources of data. Other methods were used in data collection and processing, such as: analysis, synthesis, induction, deduction, descriptive method, and also all other ways and methods that can be used in social sciences and research. From the statistical methods, calculations of the arithmetic mean were used as the mean value of the weighted average values and standard deviation (Table 1).

*Table 1: Some of the questions that are numerically evaluated according to the Likert scale for expressing views, weighted average values and standard deviation*

Question (ordinal number of the question in the questionnaire)	Weighted average value	Standard deviation
	$\bar{x} = \frac{\sum fx}{\sum f}$	$\sigma = \sqrt{\frac{\sum f(x - \bar{x})^2}{\sum f}}$
24. "Indicate to what extent the quality of teaching staff affects the overall performance of high schools"	6.64	0.61
25. "Indicate to what extent the quality of professional services affects the overall performance of high schools"	6.43	0.82
26. "Indicate to what extent the quality of management staff (management team) affects the overall performance of high schools"	6.71	0.59
31. "To what extent is the professional development of the employees encouraged in your organization?"	5.21	1.37

34. "Indicate how much the existing <i>financing system</i> is a stimulating factor for the development of secondary education organizations"	3.57	1.24
35. "Indicate how much the existing system for active participation of the wider community and stakeholders is a stimulating factor for the development of secondary education organizations"	4.07	1.10
39. "Indicate how much the existing system for evaluating individual performance and employee motivation is a stimulating factor for the development of secondary education organizations"	4.86	1.36

### Survey results

Respondents answered 39 questions in the survey questionnaire which was electronically submitted to them. The questions shown in the previous table and the results obtained during the research are presented in the following section.

As for the question "Indicate to what extent the quality of the teaching staff affects the overall performance of high schools", all the values of the respondents for the impact of the quality of teaching staff on the overall performance are above average and are evaluated with grades 5, 6 and 7, on a scale of 1 to 7. Namely, the largest number of respondents (10 schools or 71.4% of the respondents), chose the highest value for the quality of teaching staff and evaluated it with a grade of 7. Slightly lower percentage of the respondents (3 schools or 21.4 %), chose grade 6, and the lowest percentage of respondents (one of the schools or 7.1%), evaluated the impact of the quality of teaching staff with a grade of 5. This indicates the fact that the quality of teaching staff has a great impact on the overall performance in secondary education organizations and it is rated with a weighted average of 6.64, on a scale from 1 to 7 (Figure 3).

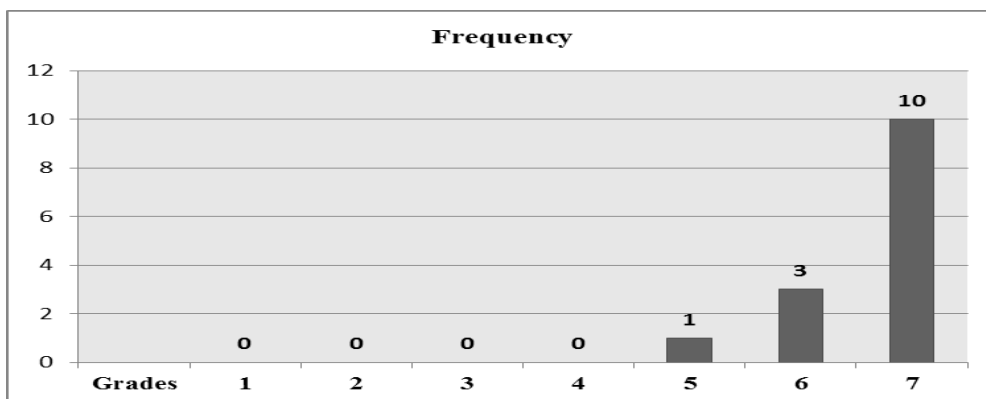


Figure 3: Evaluations of the question “Indicate to what extent the quality of teaching staff affects the overall performance of secondary education organizations?”

As for the question “Indicate to what extent the quality of professional services affects the overall performance of high schools”, again most of the respondents (8 schools or 57.1%) rated the impact of professional services on overall performance with the highest grade of 7, on a scale from 1 to 7. Slightly lower percentage of respondents (7 organizations or 35.7%), the impact of quality of professional services on the overall performance of high schools assessed with a score of 6, and the lowest percentage of respondents (7.1 % or one of the schools), chose grade 4. This implies the great impact of the quality of professional services on the overall performance of secondary education organizations in the Pelagonia Region. The weighted average value of the assessments for the impact of professional services on the overall performance is 6.43, on a scale from 1 to 7 (Figure 4).

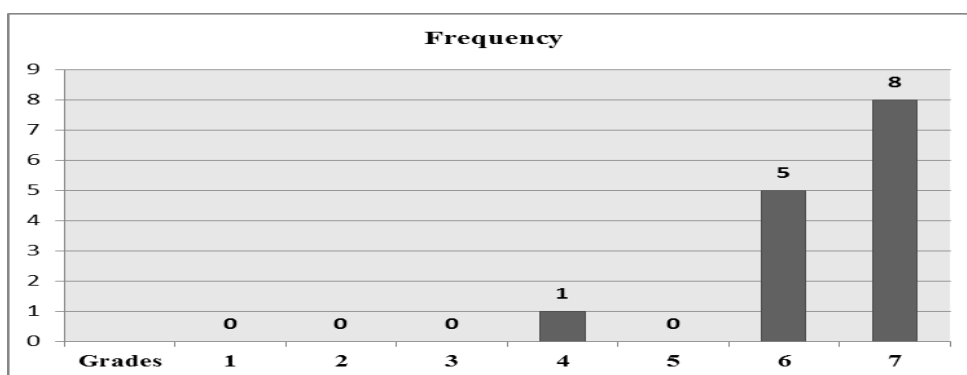
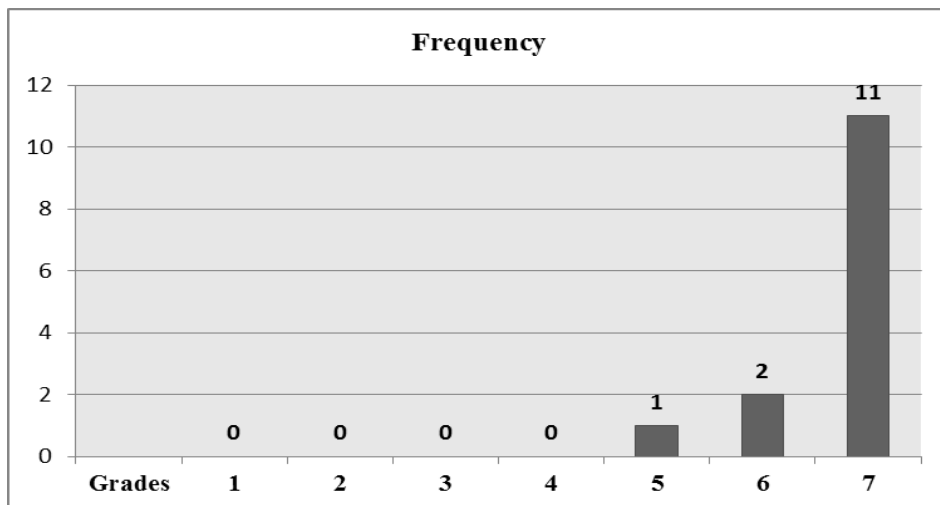


Figure 4: Evaluations of the question “Indicate to what extent the quality of professional services affects the overall performance of secondary education organizations”

As for the question “Indicate to what extent the quality of the management staff (management team) affects the overall performance of high schools”, more than three-quarters of the respondents (11 or 78.6%) evaluated the impact of the quality of the management team with the highest grade 7, on a scale from 1 to 7. About 14.3% of the respondents (5 schools), chose grade 6, while one school or 7.1% of the respondents evaluated the impact of the quality of the management staff on the overall performance with a grade of 5. Indications lead to the conclusion that the management staff, i.e. management teams, to a large extent, affects the overall performance in secondary education organizations. The weighted average value of the grades for this impact is 6.71, on a scale from 1 to 7 (Figure 5).



*Figure 5: Evaluations of the question “Indicate to what extent the quality of the management staff (management team) affects the overall performance of secondary education organizations”*

As for the question “To what extent is the professional development of the employees encouraged in your organization?”, the largest percentage of the respondents (7 organizations or 50% of the respondents), chose a score of 5 for encouraging the professional and professional development in their organizations, while, 3 schools or 21.4% of the respondents opted for grade 7 and rated the encouragement of professional and vocational training in their organizations with the highest value. Slightly smaller percentage of the respondents opted for grade 6 (2 organizations or 14.3%), and quite a small percentage of the respondents chose grades 2 and 3 to encourage professional and vocational training (one of the surveyed schools or 7.1%). From the results, it is obvious that the employees in the secondary education

organizations have opportunities for vocational and vocational education which are evaluated with a weighted average value of 5.21, on a scale from 1 to 7 (Figure 6).

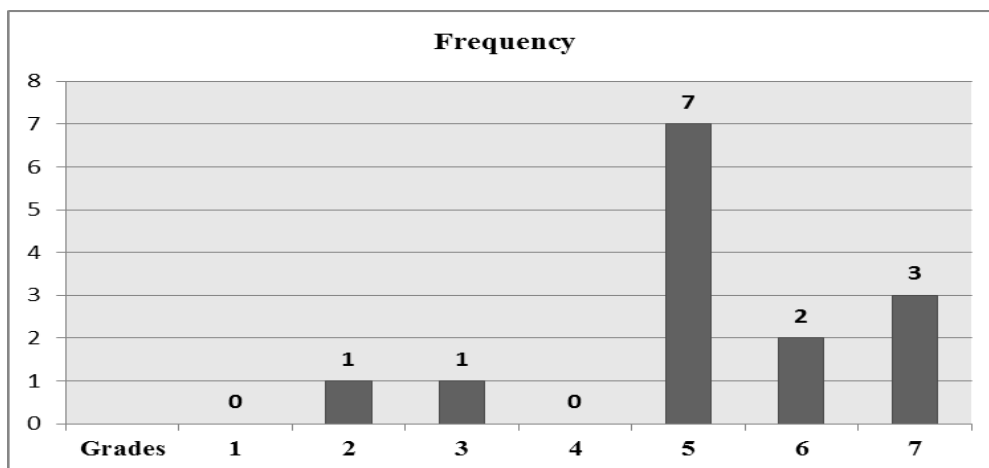
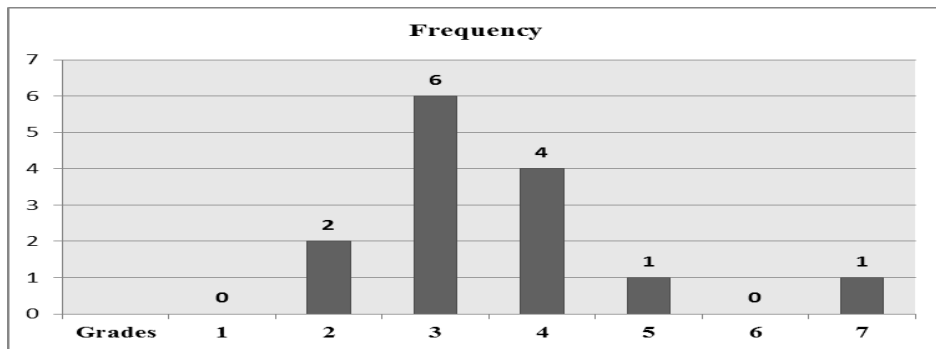


Figure 6: Evaluations of the question “To what extent is the professional development of the employees encouraged in your organization?”

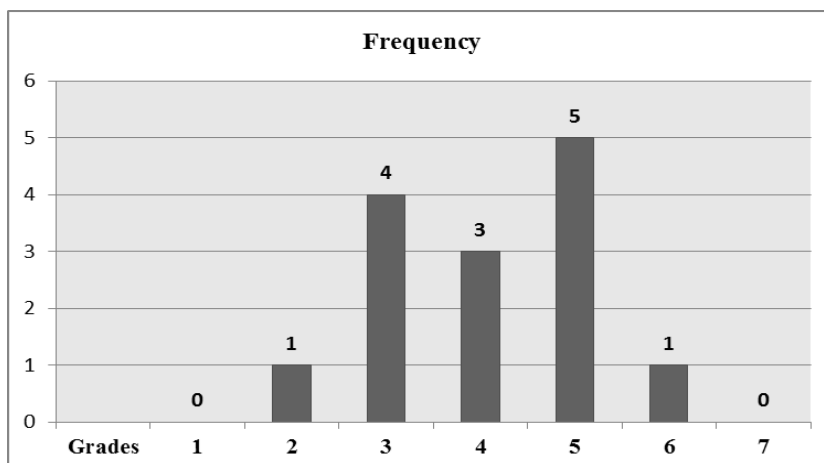
As for the question “Indicate how much the existing financing system is a stimulating factor for the development of secondary education organizations”, the distribution of results is in the form of a normal distribution curve, with no greater asymmetry to the left or right. Most of the respondents opted for grade 3, on a scale from 1 to 7 (6 or 42.9% of respondents). Slightly lower percentage of the respondents (4 schools or 28.6%) chose grade 4, and the lowest percentage of the respondents (one of the schools or 7.1%) chose the maximum value or grade 7. The financing system of the staff as a stimulating factor for the development of the organizations from the secondary education, with the lowest value (2) was evaluated by two of the schools or 14.3%. However, on average, the staff financing system is rated with slightly higher scores, compared to the staffing system as a stimulus factor for the development of secondary education organizations. The weighted average value of the grades given by the managers, concerning the financing system as a stimulating factor for the development of the secondary education organizations, is 3.57, on a scale from 1 to 7 (Figure 7).





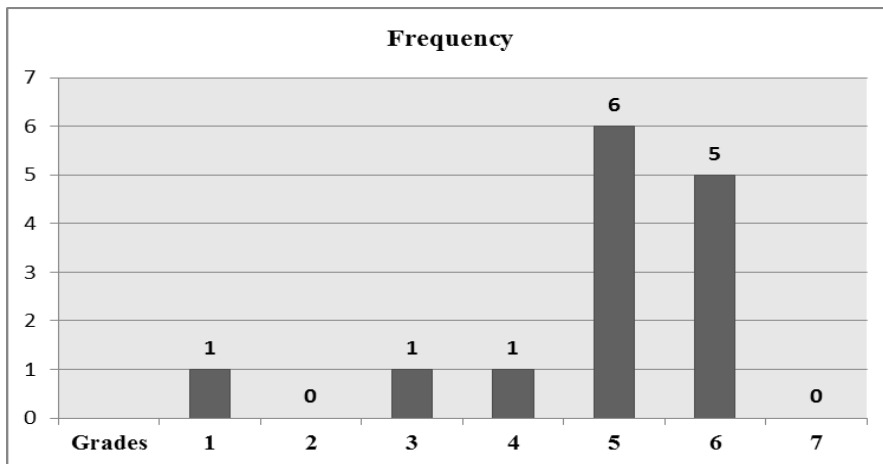
*Figure 7: Evaluations of the question “Indicate how much the existing financing system is a stimulating factor for the development of secondary education organizations”*

As for the question “Indicate how much the existing system for active participation of the wider community and stakeholders is a stimulating factor for the development of secondary education organizations”, there is a distribution of scores in the form of a normal distribution curve, with a slight inclination to the right. This means that the system for active participation of the wider community and stakeholders is, to a large extent, a stimulating factor, in contrast to the system of financing and the system of employment of staff in secondary education organizations in the Pelagonia Region. The value chosen by the largest percentage of respondents (5 schools or 35.7% of respondents) is grade 5, while 3 of the schools or 21.4% of respondents rated this system with grade 4, and only one school or 7.1% of respondents rated the impact of the wider community and stakeholders with a score of 6, on a scale of 1 to 7. The same percentage of respondents (7.1%) rated the system of active participation of the wider community and minimum weighted or rated stakeholders 2. The weighted average value of the answers to this question is 4.07, on a scale of 1 to 7. This would mean that on average, the system for active participation of the wider community and stakeholders is rated as a significant incentive factor for the development of secondary education organizations in the Region, unlike the previous two systems, i.e. factors (Figure 8).



*Figure 8: Evaluations of the question “Indicate how much the existing system for active participation of the wider community and stakeholders is a stimulating factor for the development of secondary education organizations”*

As for the question “Indicate how much the existing system for evaluating individual performance and employee motivation is a stimulating factor for the development of secondary education organizations”, most respondents opted for a grade of 5, on a scale from 1 to 7 (6 schools or 42, 9% of the respondents), while 5 of the secondary education organizations or 35.7% of the respondents evaluated the system for evaluating the individual performance and motivation of the employees with a higher value or grade 6. The other answers are equally distributed among grade 1, 3 and 4 (one school or 7.1% of the respondents). However, this employee support system is rated with the highest average grade, unlike other support systems in secondary education. The weighted average grade point average is 4.86, on a scale of 1 to 7. This means that the management staff (principals and their deputies in secondary education organizations) believe that employees are sufficiently motivated to work and there is an objective system to support and evaluate their performance (Figure 9).



*Figure 9: Evaluations of the question “Indicate how much the existing system for evaluating the individual performance and motivation of employees is a stimulating factor for the development of secondary education organizations”*

### Discussion of results

This research was conducted in the period of implementation of the reforms in secondary vocational education. But, to be even more significant, the research did not cover only the vocational but all high schools in the Pelagonia region. High school principals were interviewed. The research helped to create a clear picture of the importance of organizational architecture and management in secondary education organizations, on the one hand, and to see their impact on organizational performance, on the other hand. The purpose of this empirical research was to make a high-quality and professional analysis of the current situation in secondary education, related to organizational performance and management. The tasks of the research were, through the creation and application of a system for measuring organizational performance in secondary education, to achieve more organizational goals, for example: formulating a clear strategic mission and vision in educational organizations, commitment of management in the process of managing and measuring organizational performance, as well as the use of tools to assess organizational effectiveness and efficiency.

The research proved that the quality of management staff mostly affects the organizational performance. The contribution of teaching staff and professional services in schools is also of great importance. Managers have given a slightly lower grade for the participation of wider community and stakeholders as a stimulating factor for development of secondary education organizations. However, these results depend on the environment

in which the secondary education organizations exist, so it is not possible to generalize the conclusions. Also, with each change of management in these organizations, completely new considerations can be obtained for measuring performance and the application of the BSC in secondary education, however, the need for such a system for objective measurement and feedback is more than necessary.

## **Conclusion**

All educational organizations create their strategies which are a set of activities undertaken by the organization, based on the interaction relations and its organizational culture. The use of the BSC in the public sector and its full implementation in education is more limited than in other sectors. However, it is desirable for managers to exercise their control over work through such systems for measuring individual and organizational performance. The application of BSC is the application of an effective control tool. It is certain that there will be a visible improvement of results, through its practical implementation. This way of measuring work results and their evaluation can be used not only as a system but also as a way of thinking about communication between management and all stakeholders. Success needs to be based primarily on the intangible, taking into account employees and their motivation for work.

Timely collection of comprehensive and accurate feedback through the BSC will support the decision-making process, enable the implementation of educational policies and planing of educational reforms. The successful realization of goals and tasks in the educational organizations will be a good indicator for the successful application of the BSC, but only if there is objective monitoring and evaluation of the results. This way of measuring performance needs to have a legal basis and be applied at the level of the entire secondary education. Regarding the objectivity of the measurement realized by internal and external evaluators, it remains a question and a topic that can be discussed in further research.

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## MODEL OF TWEEN INFLUENCE ON FAMILY PURCHASING DECISION

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### Abstract

*In the last two decades the tween marketing segment has been gaining in popularity as a topic of academic studies and marketing research. The role of tweens in family purchasing decision-making has increased significantly over the years which is confirmed by recent studies. However, there is was a huge research gap in the context of Southeastern European countries, as well as lack of theoretical explanation for the observed level of influence. Moreover, the apparent need for a specific model of tween influence which unifies children's consumer socialization, their role in family purchase decisions and the effect of socio-demographic factors, resulted in main objective of my PhD dissertation thesis<sup>5</sup>. This article presents a part of the broader study conducted during the thesis preparation and examines and analyzes the influence of tweens on family purchase decision, ultimately modeling the influence through the use of advanced statistical methods. Based on predetermined product categorization, examining the direct influence of children, and taking in consideration previously unobserved set of endogenous and exogenous factors, this paper fills in the research gaps in the field of family consumer behavior, providing marketers with valuable information. Presented study incorporates quantitative research strategy, investigating the nature and level of tween influence through the perception of 659 parents comprising the multi-stage cluster sample. Having regard to the findings, through detailed product profiling based on tween role and influence for each product category, the paper offers clear instructions for effective tween brand strategies.*

**Keywords:** model of tween influence, family purchase decision, endogenous and exogenous factors on family purchase decision, tween consumers, consumer socialization.

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<sup>5</sup>Нолческа, В. (2021). Моделирање на влијанието на влијанието на tweenage потрошувачите врз донесувањето на семејната одлука за купување [Необјавен докторски труд]. Универзитет „Св. Климент Охридски“ - Битола, Економски факултет - Прилеп

## **Introduction**

Recent studies reveal that children aged 8 to 14 exert a substantial influence on family purchasing decision across all product categories (Lindstrom, 2003; Siegel, 2004; Poulton, 2008; Lamb et al., 2009; Beyda, 2010; Suwandinata, 2011; Tomko, 2012; White, 2013; Dölarslan&Torlak; 2013; Ishaque &Tufail, 2014; Akter, 2017; Nolcheska, 2017a;Nolcheska, 2017b;Raju, 2018; Нолческа, 2021), so the interest of marketers and academic researchers has increased since the early 2000s. Recent study shows that American tweens (population of more than 20 million in USA) are a direct market worth over 200 million dollars annually, seriously affecting the US economy as a secondary or influential market, as over 335 billion dollars are spent every year, as a result of their influence (Euromonitor International, 2019).

Studying and analyzing the literature and related research studies for 5 years (2016-2021), I've noticed that there's a certain lack of empirical research on this particular subject in developing countries. Moreover, Williams & Bums (2000), Thomson, Laing & McKee (2007) and Sharma (2016) argue the need for establishing a unified model of children's influence on family purchasing. That became the purpose of my PhD thesis, part of which is presented in this paper: construction of a single model of the influence of tweens on family purchasing decision that includes internal and external factors of children's influence. Meanwhile, this paper aims to provide useful information for marketers, by identifying the agents and channels through which tweens learn and gain product related information, and by determining the dominant role of the tween in the decision-making process regarding various product types. It is one of the first studies (Nolcheska, 2017b; Нолческа, 2021) that present a clear and detailed categorization of the products according to established principles: final consumer, purpose and usage, and potential purchasing risks.

The model presents the phase of tween's cognitive and social development and tween's phase of consumer socialization as key internal factors determining the ability to influence and affect the family purchasing decision and includes the relative influence of the agents of tween's consumer socialization. It also considers the effect of external socio-demographic factors, which determine the level of tween's influence on family purchasing decision. The level of influence across the stages of the family decision-making process and the level of the tween's influence for different product categories are the dependent variables and the final family purchasing decision is the output. The level of the active dimension of

children's influence on family purchasing decision is explored taking in consideration the parental perspective.

Based on the existing theories and studies, the following hypotheses were developed:

H1: The level of tween's influence on family purchasing decision is determined by internal and external factors.

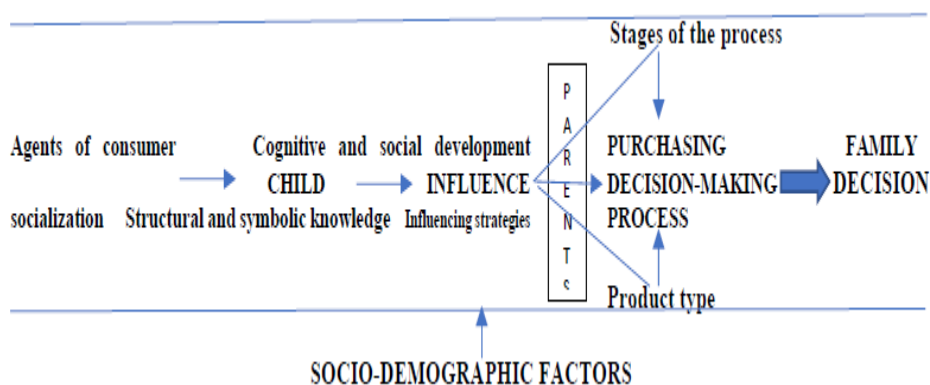
H1a: Tween's stage of cognitive development determines the level of tween's influence on family purchasing decision.

H1b: The stage of tween's consumer socialization determines the level of tween's influence on family purchasing decision.

H1c: External socio-demographic factors determine the level of tween influence on family purchasing decision.

H1d: The level of tween influence on family purchasing decision varies across product categories.

H1e: The level of tween influence varies across the stages of the family purchasing decision-making process.



*Figure 1. Conceptual model of tween influence on family purchasing decision*

## Research methods

The empirical data for this study was acquired through a quantitative research conducted in the Republic of North Macedonia, on a random representative multi phase cluster sample of 659 respondents (each parent of 8–14-year-old child) from 6 different municipalities in the Republic of North Macedonia, selected randomly (marginal error: 3,8% level of trust: 95%; and realized response rate: 82%). Tween influence was examined through the perception of the parents (659 respondents), by structured questionnaire



consisted of 3 main parts and 28 questions. The level of tween influence and knowledge, and the effect of all remaining factors was measured on a 9-point interval scale, recognized as a scale of highest level of convergent validity and validity of criteria (Preston & Colman, 2000; Menold & Bogner, 2018). Products were categorized in two main groups: family-consumed products and child-consumed products. Moreover, child-consumed product group was separated in the following sub-categories: knowledge and education-related products, knowledge and education-related services, food and beverages, clothes and shoes, entertainment products. Family-consumed product category consisted of: low-risk nondurable products, high-risk durable products, high-tech products, family related services. Primary data was processed and analyzed in IBM SPSS 20. Cronbach's alpha was used in order to determine the inner consistency and accuracy of the survey instrument. In order to test the hypotheses different types of ANOVA and MANOVA, t-tests, and regression analysis were adopted.

### **Literature review**

In order to adapt as consumers and become capable of influencing the family purchasing decision, children go through a process of socialization, through which they gain necessary skills and knowledge and form opinions relevant for their functioning on the market as consumers. This process is heavily affected by the factors of socialization: family, friends and peers, and social and mass media, which influence the structural and symbolic knowledge of children, as well as their buying preferences. Depending on their age, tweens belong in one of these two phases of consumer socialization: analytical and reflective. According to the developmental theories tween's age and level of socialization are the most important factors of tween's ability to influence family purchasing decision, which is confirmed by several studies (Martensen and Gronholdt, 2008; Dikcius and Medeksiene, 2008; Suwandinata, 2011; Tomko, 2012; Chaudhary, 2013; Ahmed et al, 2015; Akter, 2017; Tomić and Leković, 2017, Sharma et al., 2018). Examining the relative influence of children, tweens, teens and young adults on family decisions, Ronner et al. (2007) discovered that tweens are the most influential. In families where both parents are employed tweens exert stronger influence on family purchasing decision (Kumar, 2013). Parents with higher education level encourage children to be active in the decision-making, have a more open communication and raise them democratically (Sondhi and Basu, 2014; Bessouh, 2016). Ebster et al. (2009), Guneri et al. (2009), Tomko (2012), Kumar (2013), Dölarslan and Torlak

(2013), Singh and Kumar (2014), Omodafe (2015), and Akter (2017) conclude that children's influence on family purchasing is greater in families with higher socio-economic status. According to Dotson and Hyatt (2005) in nuclear families child's consumer socialization begins sooner and develops faster compared to the extended families, thus in nuclear families children exert stronger influence. Geuens et al.(2002) Wimalasiri(2004), Dikčius and Medekšienė (2008) show that single parents encourage children to make individual choices and independent decisions, actively including them in household activities. With the decrease of the birthrate, the number of children in the family became less relevant factor (Kumar, 2013, Shahrokh and Khosravi, 2013; Isin and Alkibay, 2011). While some of the results are consistent within various cultures (Dikčius et al, 2014), others show that the level of child's influence on family purchasing decision significantly varies from country to country, from culture to culture (Shoham and Dalakas, 2006; Ishaque and Tufail, 2014; Chaudhary, 2018).

Even though the latest research suggests that tweens become more included in the decision making concerning almost all products, they still exert greater influence for child-related products (Martensen and Gronholdt, 2008; Guneri et al, 2009; Akinyele, 2010; Lawler and Prothero, 2011; Ogden et al, 2012; Polya, 2012; Shahrokh и Khosravi, 2013; Chaudhary, 2013; Dikcius et al, 2014; Aslan and Karalar, 2015, Vishwakarma, 2016; Nolcheska, 2017a; Nolcheska, 2017b; Sharma et al, 2018). According to recent studies tweens are more informed about high-tech products than parents and quickly learn and adapt to the new trends and technologies, strongly influencing family purchase of electronics (Götze et al, 2009; Aslan & Karalar, 2015). Chaudhary (2013) notes that the stage of the decision-making process under strongest tween influence mainly depends on the product type; regarding child-consumed products tween influence is greatest in the need recognition stage. Aslan and Karalar(2015) reveal that children are actively included in the information search and evaluation of alternatives for expensive high-risk and high-tech products. Jostein (2013) confirms Wut and Chou's study (2009) which reveals that tweens exert greatest influence in the evaluation of alternatives stage and brand choice. Geuens et al. (2002), Guneri et al. (2009) and Raju (2018) conclude that tween influence is greater when expressive elements are concerned, such as choice of color, model and brand.

## **Findings**

Initial analysis showed satisfactory Cronbach's alpha level ( $\alpha > .855$ ) for each set of tested variables. In order to examine the effect of tween's

stage of cognitive development on the level of tween's influence on family purchase decision tweens were separated in two groups based on the developmental stage they belong to according to their age (younger: 8-11, and older: 12-14 years old) and one-way MANOVA was conducted. Results reveal statistically significant differences in the level of influence between the two groups regarding all product categories ( $F(9, 643) = 24.264, p < .005$ ; Wilks'  $\Lambda = .246$ ;  $\eta^2 = .254$ ). Actually,  $\eta^2 = .254$  shows that the stage of tween's cognitive development is responsible for 25 % of the multivariate variance of the level of tween influence on family purchasing decision. Additionally, independent sample t-tests reveal that younger tweens (aged 8-11) exert less influence than older tweens (aged 12-14) for each product category. These findings confirm H1a hypothesis which states that tween's phase of cognitive development determines the level of tween's influence on family purchasing decision.

*Table 1: One-Way MANOVA. Tween's stage of cognitive development as a factor of tween's influence*

**Multivariate Tests<sup>a</sup>**

Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Squared	Eta
Intercept	Pillai's Trace	,973	2585,979 <sup>b</sup>	9,000	643,000	,000	,973
	Wilks' Lambda	,027	2585,979 <sup>b</sup>	9,000	643,000	,000	,973
	Hotelling's Trace	36,196	2585,979 <sup>b</sup>	9,000	643,000	,000	,973
	Roy's Largest Root	36,196	2585,979 <sup>b</sup>	9,000	643,000	,000	,973
Stage of development	Pillai's Trace	,254	24,264 <sup>b</sup>	9,000	643,000	,000	,254
	Wilks' Lambda	,246	24,264 <sup>b</sup>	9,000	643,000	,000	,254
	Hotelling's Trace	,340	24,264 <sup>b</sup>	9,000	643,000	,000	,254
	Roy's Largest Root	,340	24,264 <sup>b</sup>	9,000	643,000	,000	,254

a. Design: Intercept + Stage of development

b. Exact statistic

Furthermore, the effect of tween's structural and symbolic knowledge (related to the phase of child's consumer socialization) was examined. Linear regressions show that 35 - 49 % of the variances in tween's influence on family purchasing decision can be explained by tween's consumer

knowledge. Those values in the range 35 - 49 % vary based on the product category and are especially high regarding high-tech products and family-consumed high-risk products. For example, 48.7 % of the variation in the level of influence for high-tech products is result of the level of tween's consumer knowledge ( $R=.798$ ,  $R^2=.487$ ); ( $F(1, 651) = 116,337$ ,  $p<.005$ ); ( $B=1.601$ ,  $p<.005$ ). Since models were valid for each product category, H1b was confirmed.

*Table 2: Tween's consumer knowledge as a factor of tween's influence on family purchasing decision*

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798 <sup>a</sup>	.487	.479	1,809

a. Predictors: (Constant), Consumer knowledge

b. Dependent Variable: Family-consumed high-tech products

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1938,593	1	387,719	116,337	,000 <sup>b</sup>
	Residual	2169,592	651	3,333		
	Total	4108,186	656			

a. Dependent Variable: Family-consumed high-tech products

b. Predictors: (Constant), Consumer knowledge

Since tween's consumer knowledge is a significant factor of tween's level of influence on the family purchasing decision, it is important to note that the relative influence of the family, friends and peers, social media, and mass media – as agents of tween consumer socialization- was examined. Repeated measures ANOVA with Greenhouse-Geisser correction ( $F(2.799, 1841.9)=144.080$ ,  $p<.005$ ,  $\eta^2=.181$ ) revealed significant differences between the socialization agents, showing that mass-media have less influence than the rest of the agents (mass media vs. social media:  $-1.618$ , 95%CI  $[-1.853, -1.382]$ ,  $p<.001$ ), (mass media vs. peers:  $-1.531$ , 95%CI  $[-1.775, -1.288]$ ,  $p<.001$ ), (mass media vs. family:  $-1.656$ , 95%CI  $[-1.933, -1.378]$ ,  $p<.001$ ). The strength of the influence of friends and peers ( $6.85\pm 2.09$ ), family ( $6.98\pm 2.08$ ) and internet and social media ( $6.94\pm 2.17$ ) is almost the same. Independent samples t-tests revealed no statistically significant differences

between the level of influence of male and female tweens, confirming many recent studies (Tomić and Leković, 2017; Vishwakarma, 2016; Shahrokh and Khosravi, 2013; Guneri et.al, 2009; Martensen and Gronhøldt, 2008). Today, socialization is egalitarian, the time parents spend with their children, the style of communication, as well as the lessons and responsibilities they give to their children, are generally the same, regardless the gender.

After the effect of internal factors was confirmed, the analysis moved to the external factors of tween influence on family purchasing. One-way MANOVA showed that family income is a significant factor of the level of tween influence on family purchasing ( $F(135, 4909) = 2.505$ ,  $p < .005$ ; Wilks'  $\Lambda = .596$ ;  $\eta^2 = .056$ ) for each product category ( $p < .005$ , revealed by Tests of Between-Subjects Effects). By the differences in the level of monthly family income can't be explained 59.6 % of the variances in the level of influence.

*Table 3: Family monthly income as a factor of tween's influence on family purchasing decision*

Multivariate Tests<sup>a</sup>

Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Pillai's Trace	,497	2,482	135,000	5733,000	,000	,055
Wilks' Lambda	,596	2,505	135,000	4909,076	,000	,056
Hotelling's Trace	,541	2,515	135,000	5645,000	,000	,057
Roy's Largest Root	,145	6,139 <sup>c</sup>	15,000	637,000	,000	,126

a. Design: Intercept + Monthly family income

b. Exact statistic

c. The statistic is an upper bound on F that yields a lower bound on the significance level.

In general, greatest differences in the level of tween influence were noted for family-consumed high-risk products, where in the families with monthly income of 180 000 MKD the level of tween influence on purchasing decision is highest ( $M = 8.2$ ) and statistically significantly differs from the level of influence in the families with monthly income less than 60 000 MKD ( $M_d = 3.2$ ), especially from those with monthly income starting from 40 000 MKD and going lower ( $M_d = 3.46$ ,  $M_d = 3.76$ ,  $M_d = 3.96$ ). Regarding high-tech products the level of influence is highest in the 180 000 MKD monthly income families ( $M = 8.3$ ), and lowest in the families with income lower than 20 000 MKD ( $M = 4.36$ ,  $M = 5.54$ ,  $M = 6.5$ ).

Not many significant differences were noted in the level of tween influence for child-consumed food and beverages, as well as for clothes and shoes, where in general the greatest difference was revealed between families with income lower than 6 000 MKD ( $M=5.0$ ) and families with income higher than 180 000 MKD ( $M=8.7$ ), ( $Md = -2.7$ ,  $p < .005$ ). In the level of tween influence for child-consumed entertainment products statistically significant differences were also noticed between the families with lowest income (less than 14 500 MKD) and the families with highest income (over 80 000 MKD), and these differences range from 2 to 5 points measured on a 9-point scale.

One-way MANOVA tested the effect of the number of employed family members as an external factor of tween influence on family purchasing  $F(27, 1872.7)=3,447$ ,  $p < .005$ ; Wilks'  $\Lambda = .868$ ;  $\eta^2 = .046$ ), revealing a small effect of this factor, based on the high value of Wilks' Lambda (close to 1) and low value of Hotelling's Trace coefficient (.147). The test of Between-Subjects Effects revealed that this factor has effect on the tween influence ( $p < .005$ ) regarding: education-related products, food and beverages, clothes and shoes, entertainment products and family-consumed services.

*Table 4: MANOVA. Number of employed family members as factor of tween influence on family purchasing*

Effect		F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Roy's Largest Root	10,016	713,369 <sup>b</sup>	9,000	641,000	,000	,909
Pillai's Trace	,137	3,408	27,000	1929,000	,000	,046
Wilks' Lambda	,868	3,447	27,000	1872,693	,000	,046
Hotelling's Trace	,147	3,482	27,000	1919,000	,000	,047
Roy's Largest Root	,100	7,152 <sup>c</sup>	9,000	643,000	,000	,091

Furthermore, the effect of family structure, family size and the number of children in the family was tested. Conducted multiple one-way MANOVA analyses show very small effect of these factors: family structure:  $F(27,1872.7)=1.539$ ,  $p=.038$ ; Wilks'  $\Lambda=.938$ ;  $\eta^2=.021$ ), Hotelling's Trace (.065), and family size:  $F(54,3257.8)=1.903$ ,  $p<.005$ ; Wilks'  $\Lambda=.854$ ;  $\eta^2=.026$ ), while the number of children in the family is not a factor of the level of tween influence: ( $F(45,2861.5)=1.327$ ,  $p=.072$ ; Wilks'  $\Lambda=.912$ ;  $\eta^2=.018$ ). Similar tests were conducted for the tween's birth order ( $F(45, 2861.5)=1.28$ ,  $p=.101$ ; Wilks'  $\Lambda=.915$ ;  $\eta^2=.018$ ) and parental marital status

( $F(36, 2400)=1.172$ ,  $p=.223$ ; Wilks'  $\Lambda=.937$ ;  $\eta^2=.016$ ) and the results reveal that these variables are not statistically significant factors of tween influence.

Two-Way MANOVA reveals that the age of the parents, as well as the interaction of the age of both parents, is a significant factor of tween influence on family purchasing decision ( $F(189, 5064)=1.95$ ,  $p<.005$ ; Wilks'  $\Lambda=.558$ ). The test of Between-Subjects Effects shows that parental age is a factor of tween influence for each product category ( $p<.05$ ), except for child-consumed clothes and shoes ( $p=.147$ ) and family-consumed high-risk products ( $p=.146$ ). According to the descriptive statistics revealed differences are higher for family-consumed products (especially high-tech product category) and the level of tween influence is higher and higher as maternal and paternal age increases ( $M_{26-30} = 3.6$ ,  $M_{31-35} = 5.23$ ,  $M_{36-40} = 6.0$ ,  $M_{41-45} = 6.35$ ,  $M_{46-50} = 6.58$ ,  $M_{51-55} = 7.8$ ,  $M_{56-60} = 7.0$ ,  $M_{61-65} = 8.0$ ).

*Table 5: Parental age as a factor of tween's influence on family purchasing decision*

Multivariate Tests <sup>a</sup>						
Effect		Value	F	Hypothesis df	Error df	Sig.
Parental age1	Roy's Largest Root	2,903	195,759 <sup>b</sup>	9,000	607,000	,000
	Pillai's Trace	,218	1,914	72,000	4912,000	,000
	Wilks' Lambda	,799	1,927	72,000	3699,816	,000
	Hotelling's Trace	,230	1,933	72,000	4842,000	,000
Parental age2	Roy's Largest Root	,084	5,739 <sup>c</sup>	9,000	614,000	,000
	Pillai's Trace	,185	1,614	72,000	4912,000	,001
	Wilks' Lambda	,828	1,621	72,000	3699,816	,001
	Hotelling's Trace	,193	1,622	72,000	4842,000	,001
Parental age1 * Parental age2	Roy's Largest Root	,067	4,547 <sup>c</sup>	9,000	614,000	,000
	Pillai's Trace	,560	1,943	189,000	5535,000	,000
	Wilks' Lambda	,558	1,950	189,000	5063,938	,000
	Hotelling's Trace	,609	1,951	189,000	5447,000	,000
	Roy's Largest Root	,131	3,848 <sup>c</sup>	21,000	615,000	,000

a. Design: Intercept + Parental age1 + Parental age2 + Parental age1 \* Parental age2

Education level of parents is a significant factor of tween influence on family purchasing decision, shows the conducted Two-way MANOVA ( $F(189,5105.5)=1.79$ ,  $p<.005$ ; Wilks'  $\Lambda=.587$ ). Between-Subjects

Effects reveals that this particular factor has significant effect on tween influence across all product categories ( $p < .05$ ).

Further descriptive statistics show that, in general, the higher the level of education of the parents, the more influence their preadolescent child will exert on the family purchasing decision.

*Table 6: Education level of parents as a factor of tween's influence on family purchasing decision*

Multivariate Tests <sup>a</sup>						
Effect		Value	F	Hypothesis df	Error df	Sig.
Education level1	Pillai's Trace	,169	2,388	45,000	3080,000	,000
	Wilks' Lambda	,840	2,422	45,000	2740,727	,000
	Hotelling's Trace	,181	2,451	45,000	3052,000	,000
	Roy's Largest Root	,105	7,158 <sup>c</sup>	9,000	616,000	,000
Education level2	Pillai's Trace	,113	1,317	54,000	3702,000	,061
	Wilks' Lambda	,892	1,317	54,000	3125,194	,061
	Hotelling's Trace	,116	1,316	54,000	3662,000	,061
	Roy's Largest Root	,042	2,905 <sup>c</sup>	9,000	617,000	,002
Education level1 * Education level2	Pillai's Trace	,508	1,767	189,000	5580,000	,000
	Wilks' Lambda	,587	1,790	189,000	5105,497	,000
	Hotelling's Trace	,560	1,808	189,000	5492,000	,000
	Roy's Largest Root	,162	4,786 <sup>c</sup>	21,000	620,000	,000

a. Design: Intercept + Education level1 \* Education level2 + Education level1 \* Education level2

b. Exact statistic

Two-way MANOVA revealed no significant effect of the interaction of the employment status of the parents ( $F(18,1272)=1.827$ ,  $p < .05$ ; Wilks'  $\Lambda=.950$ ). Similarly, One-way MANOVA showed that the maternal employment status is not a significant factor of the tween influence on family purchasing decision ( $F(36,2400.1)=1.352$ ,  $p=.079$ ; Wilks'  $\Lambda=.928$ ;  $\eta^2=.019$ ).

In order to examine the effect of the ethnicity on tween influence on family purchasing, One-way MANOVA was conducted. The results reveal that the ethnicity is a significant factor of the influence ( $F(45, 3187)=2.825$ ,  $p < .005$ ; Wilks'  $\Lambda=.423$ ;  $\eta^2=.038$ ). Thereby, by the Tests of Between-Subjects Effects, statistically significant differences in the level of influence were revealed across all product categories in the group of family-consumed



products ( $p < .05$ ), while in the group of child-consumed products significant differences exist in the clothes and shoes product category - between the Albanians ( $6.74 \pm 2.3$ ) and Macedonians ( $5.85 \pm 2.5$ ), Albanian tweens exert stronger influence on buying decision than Macedonian tweens ( $Md = .89$ ,  $p < .005$ , 95% CI [.19, 1.58]); and in the child-consumed education-related services, where significant differences are revealed between Roma tweens ( $6.3 \pm .54$ ) and Macedonian tweens ( $7.9 \pm .07$ ), ( $Md = -1.6$ ,  $p < .05$ , 95% CI [.01, 3.16]). In the group of family-consumed products, once again, statistically significant differences were detected between Albanian and Macedonian tweens for low-risk products ( $6.73 \pm 2.3$  vs.  $5.85 \pm 2.1$ ) ( $Md = .88$ ,  $p < .005$ , 95% CI [.17, 1.58]) and high-tech products ( $6.54 \pm 2.3$  vs.  $5.63 \pm 2.5$ ) ( $Md = .91$ ,  $p < .05$ , 95% CI [.17, 1.49]). For family-consumed high-risk products and services, the tween influence is greater in the Albanian families ( $5.97 \pm 2.6$  and  $6.95 \pm 2.0$  respectively) compared to Aromanian (Vlach) families ( $2.67 \pm 1.8$  and  $4.9 \pm 2.2$ ) and Macedonian families ( $5.03 \pm 2.6$  and  $6.32 \pm 2.0$ ), ( $p < .05$ ).

*Table 7: Ethnicity as a factor of tween's influence on family purchasing decision*

**Multivariate Tests<sup>a</sup>**

Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Squared	Eta
Ethnicity	Pillai's Trace	,188	2,797	45,000	3215,000	,000	,038
	Wilks' Lambda	,423	2,825	45,000	2861,505	,000	,038
	Hotelling's Trace	,201	2,845	45,000	3187,000	,000	,039
	Roy's Largest Root	,101	7,191 <sup>c</sup>	9,000	643,000	,000	,091

a. Design: Intercept + Ethnicity

b. Exact statistic

c. The statistic is an upper bound on F that yields a lower bound on the significance level.

The municipality in which the family lives and the tween grows and develops, is a significant factor of tween influence on family purchasing, confirms the One-way MANOVA ( $F(45, 2861.5) = 3.564$ ,  $p < .005$ ; Wilks'  $\Lambda = .343$ ;  $\eta^2 = .058$ ). Statistically significant differences are revealed in each family-consumed product category where the tween influence is greatest in the municipalities of Chair and Gjorche Petrov. In general, the level of influence of tween consumers on family purchasing decisions is lowest in the municipality of Berovo (located in the Eastern region of North Macedonia)

and the municipality of Karposh (located in the capital). The greatest differences in the level of influence are related to the high-tech product category. In the family-consumed high risk product category, the level of tween influence is greatest in Gjorche Petrov, Chair and Prilep, and differences vary from 1.01 point up to the 2.26 points. For clothes and shoes tweens in Chair ( $7.93 \pm 1.74$ ) and Gjorche Petrov ( $8.53 \pm .94$ ) exert more influence compared to tweens living in the other 4 municipalities of North Macedonia.

*Table 8: Place of residence as a factor of tween's influence on family purchasing decision*

**Multivariate Tests<sup>a</sup>**

Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Pillai's Trace	,284	4,295	45,000	3215,000	,000	,057
Wilks' Lambda	,343	4,364	45,000	2861,505	,000	,058
Municipality						
Hotelling's Trace	,311	4,410	45,000	3187,000	,000	,059
Roy's Largest Root	,140	9,974 <sup>c</sup>	9,000	643,000	,000	,123

Analyses revealed that ethnicity, municipality of residence, family monthly income, number of employed family members, parental education level and parental age are all significant external, socio-demographic factors of the tween influence on family purchasing decision. Therefore, hypothesis H1c was confirmed.

In order to test the next two hypotheses regarding the product type and the stage of family purchasing decision-making process as factors of the level of tween influence, ANOVA analyses were conducted. The repeated measures ANOVA with a Greenhouse-Geisser correction determined that mean level of tween influence differed statistically significantly between the different product categories and subcategories ( $F(5.161, 3364.76) = 222.347$ ,  $p < .005$ ,  $\eta^2 = .254$ ) and over 25 % of the variance in the level of influence is associated with the product type. Post-hoc tests using the Bonferroni correction reported that the influence is lowest for family-consumed high-risk products ( $M = 5.2$ ), which statistically significantly differs from all other product categories and these differences range from  $M_d = -.868$  compared to high-tech products, to  $M_d = -2.66$  compared to child-consumed education-related products and services, respectively. In the family-consumed product group, tween influence is greatest for family-related services, and while this

product category is under the greatest influence in this particular group ( $M=6.44$ ), but it still differs statistically significantly from all other product categories of child-consumed product group, being under lower tween influence than every single one of them ( $.87 \leq Md \leq 1.43$ ) which confirms many previous studies. Statistics reveal that tween influence is strongest for knowledge and education-related products and services. Across child-consumed products, the level of tween influence is lowest for food and beverages ( $M=7.26$ ) and entertainment ( $M=7.29$ ). The results confirm hypothesis H1d.

*Table 9: Product type as a factor of level of tween's influence on family purchasing decision*

**Tests of Within-Subjects Effects**

Measure: influence

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Squared	Eta
Product.type	Sphericity Assumed	4487,047	8	560,881	222,347	,000	,254
	Greenhouse-Geisser	4487,047	5,161	869,469	222,347	,000	,254
	Huynh-Feldt	4487,047	5,207	861,778	222,347	,000	,254
	Lower-bound	4487,047	1,000	4487,047	222,347	,000	,254

Similarly, the level of influence across the stages of family purchasing decision-making process was examined. The repeated measures ANOVA with a Greenhouse-Geisser correction determined that mean level of tween influence differed statistically significantly across the five different stages of the process ( $F(3.840, 2526.521) = 15.895, p < .005$ ), confirming hypothesis H1e.

The influence is lowest in the purchase decision stage which significantly differs from the other stages ( $.299 \leq Md \leq .65$ ): ( $M_4 = 5.24$  vs.  $M_1 = 5.675$ ,  $Md = -.436$ ,  $p < .05$ , 95% CI  $[-.685, -.186]$ ); ( $M_4 = 5.24$  vs.  $M_2 = 5.54$ ,  $Md = -.299$ ,  $p < .05$ , 95% CI  $[-.548, -.050]$ ); ( $M_4 = 5.24$  vs.  $M_5 = 5.865$ ,  $Md = -.625$ ,  $p < .05$ , 95% CI  $[-.874, -.376]$ ), except from the evaluation of alternatives stage. According to the data, the level of tween influence is highest in the initial stage and the post-purchase evaluation stage.

*Table 10: Tween's influence across the stages of family purchasing decision-making process*

**Estimates**

Measure: influence

stage	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
1	5,675	,076	5,525	5,825
2	5,539	,092	5,358	5,720
3	5,458	,090	5,281	5,635
4	5,240	,101	5,041	5,438
5	5,865	,085	5,699	6,031

Measure: влияние

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Squared	Eta
Sphericity Assumed	144,671	4	36,168	15,895	,000	,024	
Greenhouse-Geisser	144,671	3,840	37,678	15,895	,000	,024	
Huynh-Feldt	144,671	3,865	37,431	15,895	,000	,024	
Lower-bound	144,671	1,000	144,671	15,895	,000	,024	

Additionally, repated measures ANOVA with a Greenhouse-Geisser correction determined that mean level of tween influence differed statistically significantly between different subdecisions ( $F(4.265, 2793.8=252.489, p<.005)$ ). Tween influence is higher regarding the choice of color ( $M=6.72$ ), model ( $M=6.067$ ), brand ( $M=5.436$ ) and size ( $M=6.044$ ), and lower in relation to the decisions where to buy ( $M=4.84$ ), how much to buy ( $M=4.75$ ), and how much money to spend ( $M=3.998$ ).

## Product profiling

Table 11: Product profiling

Product category	Level of tween influence (mean value)	Tween dominant role	Stage of the family decision-making process under the greatest influence	Sub-decisions under the greatest tween influence	Sources of product-related information	Dominant external influences on tween's preferences
Family-consumed low risk products	6,221	Influencer	Information search, Evaluation of alternatives	Quantity (how much to buy), Where to buy	TV, Internet, Other family members	Parents and other family members
Family-consumed high-risk products	5,190	Influencer, User	Information search, Evaluation of alternatives	Brand, Model, Where to buy,	Internet, Web sites	Social media
Family-consumed high-tech products	6,058	Influencer, User, Decider	Information search, Purchase decision	Brand, Model, How much to spend	Internet and Social media	Friends, Social media
Family-consumed services	6,420	Influencer, Decider, User	Purchase decision and Information search	Where to use (place of service), How much money to spend	Friends and peers and Social networks	Friends and peers
Child-consumed education-related products	7,848	Initiator, Decider, User	Evaluation of alternatives and Purchase decision stage	Where and when to buy	School, Peers	Friends and peers, Parents, Other family members
Child-consumed education-related services	7,848	Initiator, Decider, User	Purchase decision stage, Evaluation of alternatives and Post-purchase evaluation	Where and When to use the service	Friends and peers	Friends and peers
Child-consumed entertainment products	7,291	Initiator, Decider, Buyer, User	Need recognition stage, Purchase decision, Information	Model, Brand, When to buy, How much to spend	Friends and peers, Internet, Social media	Social media and Friends

			search,			
Child-consumed food	7,257	Initiator, Decider, Buyer, User	Need recognition stage, Evaluation of alternatives, Purchase decision	Type, Flavor, Brand, Where to buy and consume	Friends, Social media, Parents and other family members	Friends, Social media
Child-consumed clothes and shoes	7,594	Initiator, Influencer, User	Information search and Evaluation of alternatives	Model, Brand and Color choice, Where to buy	Internet and Social media, Friends and peers, Mass-media	Social media ads and user-generated content (especially social networks), Friends and peers

## Discussion and recommendations

This research paper confirms that tweens play important role in the family decision-making process and significantly influence family purchase decision for all product categories. Conducted analyses reveal that in over 80% of the families in the Republic of North Macedonia tweens exert very strong influence for child-consumed products. Regarding buying decisions for family-consumed products, tween influence varies from strong to very strong in 57% of the families, while in the 32% of the families it is moderate. Additionally, the internal and the external factors of the level of influence were identified and the effect of each of them was analyzed. Based on the results, the insignificant variables were removed from the initial model. According to the final model, the stage of child cognitive and social development, as well as the phase of child's consumer socialization, which all are based on child's age, determine the level and nature of tween influence. Moreover, the family monthly income, the number of employed family members, the age and education level of parents, the place of residence and ethnicity, act as external socio-demographic factors of tween's influence.

Based on the data from this study the following tween brand strategies are recommended: innovative technologies and products, recognizable brand elements, interactive online age-appropriate marketing communications, sensory marketing and behavioristic targeting. The products should be innovative, interesting, and affordable, and the brand should personify a young and cool individual; this way, the tweens will be interested enough to want to convince their parents to buy them these products, and then recommend them to their friends. Brands shouldn't rush to announce new

models very often, however, as it might put financial pressure on the families (especially those who cannot afford to replace the old model with a new one and meet their children's wishes), which in turn might result with brand resentment and even profit decline. The study showed that, as far as monthly income is concerned, there are three types of families in the Republic of North Macedonia: families with a monthly income of up to 20,000 MKD, families with a monthly income between 20,000 and 60,000 MKD, and families with a monthly income of more than 60,000 MKD; the level of tween influence on family purchasing decision inside each of these groups does not differ much. This information is quite valuable for businesses and brands, especially when the creation of brand strategies is concerned, as companies can precisely determine their target groups, specifically from the previous three categories. Thus, one brand, for instance, can offer three types of products or models, in order to appeal to all categories, and the brands that already have certain target family groups can determine the most efficient ways to communicate with their customers and prospects.

Comparative cross-national studies will allow broader analysis of tween's role in family purchasing decision-making process throughout various cultural, socio-economic and political contexts and will enable testing and validation of the proposed model on empirical data gathered from countries with different level of development and social values. Moreover, this will allow identification of the universalities and particular differences in the consumer behavior and consumption habits of the families around the world. One good approach to this type of international and transcontinental studies would be to base the research on the six parameters of national culture dimensions proposed by Hofstede (2001): individualism / collectivism; masculinity / femininity; indulgence / restraint; long-term/short-term orientations; uncertainty avoidance; and power distance. Moreover, in order to deeply understand tweens as consumers and influencers, their values, attitudes, preferences and motives, VALS methodology is recommended.

## **Conclusion**

It is very clear that tweens represent serious opportunity for marketers, therefore continuous research dedicated to this marketing segment is crucial. In that sense, in collaboration with colleagues from Turkey, I already work on a cross-national study which will be expanded on three continents. The study will be based on a strictly defined methodological framework, so all of the adopted methods and techniques could be later easily employed by other

researchers, which would finally provide us with valid, relevant and globally comparable results. My purpose is to create a unified model and research instruments that would be easily adaptable to the cultural and linguistic differences. This adaptability, validity and reliability of the instruments will also allow multiple and repeated or longitudinal research throughout different time spans and periods, which would finally provide continuous following of the local and global trends present among tween consumers.

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## STRATEGIC APPROACH TO CREATING A REWARD SYSTEM IN HUMAN RESOURCES MANAGEMENT

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### Abstract

*The subject of research of this paper is the strategic approach to rewarding as a human resources management activity in organizations and creating a reward system for increasing the individual and overall performance in the company. We are focusing on the lack of techniques, knowledge, and will for implementation a reward system in the processing industry companies with a more complex organization which is manifested as an obstacle for encouraging company development, providing its competitive position and increasing the productivity and the financial result. We are addressing a gap for a generally acceptable reward system in joint-stock companies which will be motivating for the human potential, directly stimulating loyalty, and work performance. In that sense, we are framing our research in the joint-stock companies in the processing industry. The objectives of the research were the following: to explore the views of joint-stock companies of the processing industry in the Republic of North Macedonia regarding rewarding as an activity of human resources management; to identify eventual drawbacks in terms of rewarding within joint-stock companies of this area; to provide findings in terms of implementation and design of an incentive salary in the joint-stock companies of the processing industry etc.*

**Keywords:** reward system, strategic HR management, motivation, performance.

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## **Introduction**

In modern business, companies that have a qualified, well-trained and motivated workforce have a competitive advantage over those who have overlooked or underestimated these factors. Motivated workers are a crucial factor for the success of a modern organization. The issue of employee motivation and forms of motivation is directly related to the need to provide the so-called "moral and material satisfaction" in the work. The synergy of these two components shapes and represents the working and/or managerial relationship in its essence. The competitiveness of companies increasingly depends on employees, corporate culture, reward system, fostering innovation and business leadership that supports ongoing change (Nadrljanski, et al., 2016).

The reward system should be designed to enable the strategic goals of the company to be achieved. One of the most important goals of strategic human resource management is to create a tailored reward system that will attract the best talent from abroad and retain quality workers who already work in the company. The above emphasizes the importance of this system for the functioning, development and perspective of the business venture. Surveys undertaken in recent decades show that, while there have been many organisations that have set out to introduce effective reward management, very few have succeeded in this endeavour. They also showed that few of the organisations that had implemented total management had achieved the expected results from its implementation (Radu, 2021).

From the theoretical and practical knowledge in this area, it indisputably follows that there is no universal reward model applicable to all companies, especially joint stock companies with manufacturing activity. This statement is due to the uniqueness of each organization and the specifics it has. However, it is possible to establish the basic and special criteria for modeling a reward system, which will be further refined and adjusted separately for each such company.

In order to improve the situation in the corporate sector in the Republic of North Macedonia and to meet the requirements for finding solutions for rewarding as a complex issue, the paper will attempt to give some recommendations regarding the creation of a rewarding system and its importance, based on theoretical foundations, empirical research and practical experiences.

## **Research design**

Taking into consideration the positivistic approach of this paper, we used the method of surveying a representative sample of joint-stock companies in the area of processing industry, while implementing the analytical type of research to analyze the relationship between various elements subject to research. For this purpose, we used primary data through a questionnaire as a technique for data collecting.

We researched by using data from the Central Registry of the R. N. Macedonia and the candidate's research and sent the questionnaire to all active companies (joint-stock companies) of the processing industry. The research was conducted by sending the questionnaire to the subjects by e-mail as a click link but also by direct interviewing of invited people.

Regarding the electronic approach to the questionnaire, a simple click on the link opened the complete questionnaire, and after filling it in the option "send" should have been chosen the completed questionnaire to the researcher. The questionnaire was addressed to the individuals in charge of the company or individuals in charge of the human resources department, legal affairs department, or finance department based on a free judgment that these individuals are the most responsible for the matter of rewarding in an organization. Of course, upon the company's' decision, a third individual could participate in reviewing and completing the questionnaire. The questionnaire itself was limited to receiving only a single reply from a single company. This questionnaire consisted of 18 questions in total, of which 7 were dichotomous (simple questions with multiple choice which allows the respondent to choose one of the offered yes or no answers, and a neutral alternative 'I am not sure'), 6 questions were structured so that the respondent could choose one option to agree with, 4 questions had multiple choice option (questions where the respondent was supposed to choose an answer to a question from an offered list of answers), while the last question offered more claims according to the principle of the Likert scale where the respondents were supposed to present their own opinion by choosing one of the offered options: completely disagree, partially disagree, equally agree and disagree, partially agree and completely agree.

The questionnaire was delivered to 97 active joint-stock companies of the processing industry in the R. N. Macedonia. According to the obtained written notice of the Central Registry of R.N.M. no. 08-3363/1 of 05.10.2018, the trade registry registered a total of 97 active joint-stock companies which according to the annual accounts of 2017 feature a code from 10.10 to 33.20 (processing industry) according to the National classification of activities Rev. 2. We received complete answers to the



questionnaire from a total of 30 joint-stock companies. According to the results obtained, only the companies which sent data for the name of the company \*(taking into consideration that such data was not obligatory), a total of 19 participated with 63.66% in GDP of the processing industry in 2017. Since the total number of respondents was 30, it could rightly be concluded that the stated percentage of participation in GDP of the processing industry of all 30 companies that took part in the research is collectively even higher than the stated percentage. Such a percentage is completely legitimizing the conducted research and the obtained results, presenting a solid ground for drawing relevant conclusions which can refer to the entire processing industry in our country.

*Table 1: Income, number of employees, and percentage participation in GDP of the processing industry of 20 joint-stock companies of N.Macedonia*

*\*Data refer to 2017*

Nu mb er	Joint-stock company	Income 2017	N° of employees 2017	% share in GDP 2017 of the processing industry	Company registrat- ion number
1	FI Vitaminka JSC Prilep	1,745,010,186.00	612	2.30%	4015215
2	JSC „MODA“ Sv. Nikole*			0.00%	
3	Mikrosam	266,732,781.00	113	0.35%	4146824
4	Tutunski kombinat JSC Prilep	1,000,533,680.00	471	1.32%	4018117
5	Prilepska pivarnica JSC Prilep	1,859,846,872.00	255	2.45%	4071344
6	Dauti Komerc AD	2,600,134,472.00	320	3.43%	4142144
7	Pecatnica 11 oktombri Prilep	105,632,841.00	45	0.14%	4015223
8	Vinarska vizba Tikvesh JSC Skopje	1,492,678,806.00	191	1.97%	5275890
9	JSC Kiro Dandaro Bitola	751,949,274.00	80	0.99%	4136691
10	Bargala JSC	271,875,200.00	868	0.36%	4050614
11	Zito Prilep JSC	97,770,058.00	70	0.13%	4018516
12	Mlekara JSC Bitola	2,335,413,935.00	160	3.08%	4167406
13	Mermeren kombinat jsc Prilep	1,652,125,571.00	384	2.18%	4058615
14	Pelisterska JSC Skopje	412,853,282.00	134	0.54%	4010876
15	Cementarnica Usje JSC Skopje	4,596,667,699.00	280	6.07%	4053397



16	JSC Fustelarko Borec Bitola	222,470,366.00	163	0.29%	4014561
17	FI Blagoj Gjorev JSC	572,483,747.00	160	0.76%	4055306
18	OKTA JSC Skopje	23,175,434,158.00	404	30.59%	4074009
19	BIM JSC Sveti Nikole	386,124,743.00	70	0.51%	4043600
20	CC Granit JSC Skopje	4,694,454,968.00	2080	6.20%	4054261
<b>Total given income</b>		<b>48,240,192,639.00</b>		<b>63.66%</b>	
<b>GDP 2017 processing industry</b>		<b>75,773,603,342.33</b>		<b>100.00%</b>	

GDP 2017 616,600,000,000.00

GDP 2017 processing industry 75,773,603,342.33

\*no data published for the company

Note: GDP referring to the processing industry in 2017 is obtained from the percentage share of the processing industry in the GDP in 2016. That % is used because in the 2017 data the GDP of the processing industry, mining, and quarrying, electricity supply, etc. is given as a summary.

Despite the obtained initial data from the source Google docs, all data provided in such a way by the research were further processed in the "SPSS" analytical software for statistic analyses, and in that way extremely useful conclusions were drawn that will help adopt more sound decisions for resolving the issues and improving the condition on a national level.

In our opinion, this methodology provides obtaining relevant and credible conclusions for the matter of the research, subject to further verification. In the absence of other research in this area, the research itself is a pioneering way on a state level with complete objectivity and correctness in the approach and data collecting.

## **Results presentation and interpretation**

The obtained research results should be reviewed, compared even to be opposed to the findings from other contemporary human resources management theorists. Such direction originally comes from the theoretical foundation of the paper. But, you can not practically come to a complete and final analysis, without the need for further observations. The reason is located in the broad and complex research issue, but also the present time dimension of the research in a fairly dynamic space. A good deal of the

comparative research and scientific feats dominantly date from the last decade but such reservation is relativized by the assumption that those are the last publicly available relevant comparative sources. It is expected that the discussions and suggestions will, furthermore, justify the role of such research and will encourage a lively debate for the researched phenomenon. The presentation is not structured according to some formal rules, following the determined discourse of the whole paper, but is focused on the more important issues which permeate the text.

More authors (Micik & Arsik, 2010) speak about the need to build a consistent reward system that will favorably influence the organizational climate, interpersonal relationships and will be based on principles of fairness. Such a reward system will be a good motivator, which will influence the realization of better individual and organizational performances. Stevanovic and Belopavlovic share the same view, according to which the employees' satisfaction, their commitment to goals and results of the enterprise and the behavior in terms of improving the enterprise performance, are determined, among other by the incentives policy also runned by the enterprise. Comp and Smith (2014), in their paper, clearly point out that if companies implement effective payment programs according to performance, they will improve the employees' commitment to the organization, their engagement and motivation, financial result, and the enterprise value and attractiveness. Such a position is undoubtedly also confirmed by the fact that 83.3% of the respondents in our research believe that the existence of a complete reward system could be considered as one of the criteria for a successful operation of a company. In that sense are the obtained results that verify the claim that a good reward system can improve an organization's performance. "The good" reward system can be based on the principles of fairness, which will positively influence the organizational climate, interpersonal relationships, and the total result.

On the other hand, the claims of De Waal and Jansen (2011) can be pointed out, according to which, the introduction of bonuses or a certain type of reward systems, have neither positive effect nor negative effect on the organization's performance. They believe that if the organization does not have a reward system it could face some issues, and if it does have a reward system, such a system might have a positive influence on the organization's performance. But, the expectation that the organization will improve its results or maybe become an organization with higher performance by putting great efforts into implementing bonuses or an appropriate reward system seems unrealistic to these authors, because the reward system is not the determining factor for high achievement. In that sense, their view is that organizations should not spend too much time designing and implementing elaborate and sophisticated reward systems for improving performance. Still,

it is a fact that 70% of the respondents in the research fully support the claim that "a good reward system can improve the organization's performance", and an additional 13.3% partially agree with that. We already mentioned that over 80% of the respondents believe that the existence of a „complete“ reward system is one of the conditions for companies' successful operation.

The qualifications "good" and "complete" should not be neglected from the claim's definition. In that sense, our position is that organizations cannot and should not focus only on getting some kind of reward system, i.e. to make sure that such a system exists and is appropriate (whatever it means) but the system must contain all elements, have stimulating component and be sustainable in the long-term.

Otherwise, we could agree with the view that the expectations would be unrealistic that the reward system would affect the achievement of high organizational performance. However, some authors directly deal with the question of the amount of the incentives as a base for increasing or improving the performance, and not only with the question if there actually is (exists) a system as a whole and whether it contributes to major or minor changes in terms of achieved results. For Idrees (2015) and other authors who had worked on the research, employees' performance on the job can be increased to a satisfactory level by implementing a slight salary increase. According to Ariely and other authors (2009), higher incentives for employees could result in decreasing the performance of the workers on the job. This is related to the part for work success as a salary component. It can be concluded from the research that more than  $\frac{2}{3}$  i.e. 66.7% of the total number of respondents believe that the incentive part of the salary should be stipulated in a proportion of a maximum of 50% of the basic salary. Of course, such limitation is in the function of increasing the security, certainty of the payments, but that indirectly affects work success. Besides that, we will agree that high incentives could passivize workers in terms of performing tasks and such comfort could negatively influence the individual and total performance. There are many more factors that influence performance, but the role of rewarding should not be underestimated. Whether such achievements, based on a well-tailored reward model, will be high and significant, is a question that remains to be further explored.

Aguinis and Gottfredson (2013), insist that, among the suggested general principles that according to them should be followed when building a successful material reward system for employees, there should be a precise defining and measuring of the individual performance on the job position.

Such a principle is supplemented with the principle of sustained rewarding fairness. This view can be confirmed by the fact that 50% of the respondents in our research believed that the incentive part of the salary

should always exist as a structure incentive salary (a precisely defined relationship between performing work obligations and the financial award for it). So, in terms of the relation, the respondents in our research also supported the concept for structural, instead of latent, regulation of the incentive part. But, on the other hand, 53,3% of the respondents, pointed out that the precise regulation of the performance norms for employees whose work can be measured by norm is one of the most important issues in terms of rewarding. The previously stated means that the stated principle is very often questioned in practice. Another important aspect is the use of the word "measurement" by the stated authors. If taking into consideration that 63.3% of all respondents in our research fully support the thesis that various criteria should be applied for the evaluation of intellectual and physical labor, we will conclude that in performance assessment such differences should be taken into consideration, especially the possibility that certain things are not measurable at all and can be only partially quantified. This is the gap that can be detected and that in some way is filled by the obtained results, but of course, there is still room for further research.

Regarding maintaining the necessary level of employer-employees communication and vice versa in terms of rewarding, it was concluded from our research that around 1/3 of the respondents responded that either the system has many drawbacks which make it insufficiently clear and make its application more difficult or that the system is clear but it is not applied or that there is no such system. Additionally, a significant majority of the respondents agreed with the claim that the reward system should be clear and transparent to deliver the wanted results in terms of employee motivation. Authors Gilbreath and Michael (2002) emphasize that managers and researchers should devote more time to the area of surveying the employees in terms of how a certain salary system affects them. Such a manner of communication is very important to convey the message that the management cares for the employees' satisfaction on the job position and is actively engaging in resolving the drawbacks. According to that, the data of our research support the thesis of these authors, but also supplement the claim. In that direction is the data that 2/3 majority of the respondents said that all stakeholders should be included in creating the reward system and when deciding on rewarding (representatives of the employer, employees, representatives of the employees).

Moreover, it is important to state that according to Đorđević Boljanović i Pavić (2011), organizations allocate the rewards either according to realized results or according to the membership criterion. Thus, the membership-based reward is a dominant form of reward which refers to rewards given to employees based on the number of years spent in the organization, the organizational level to which the employee belongs, the

degree of professional qualification, or the specialization skills the employee possesses. But, from the conducted research, for the requirements of this paper, the conclusion was drawn that managers of companies with production activity in Macedonia generally advocate for a combination of the above-stated criteria when creating the incentive part of salaries.

Namely, more than half of the respondents (53.3%) stated that the incentive part of the salary should be a combination of reward according to realized results on the job and reward based on membership in a given organization. It is especially indicative that the remaining 46.7% of the respondents, which is certainly a significant number, stated that the incentive part should be exclusively related only to results on the job position. It means that none of the respondents had chosen the membership criterion. The limits here are perceived in terms of the generality of the statement of the stated authors and not focusing only on a specific industry and/or activity and partially on the understanding of both offered criteria by the respondents. Still, the facts show that the presented constataion for the prevalence of the membership criterion is not confirmed by the conducted research, on the contrary, such criterion is abandoned and more companies choose a compilation of both criteria or only the criterion related to work results.

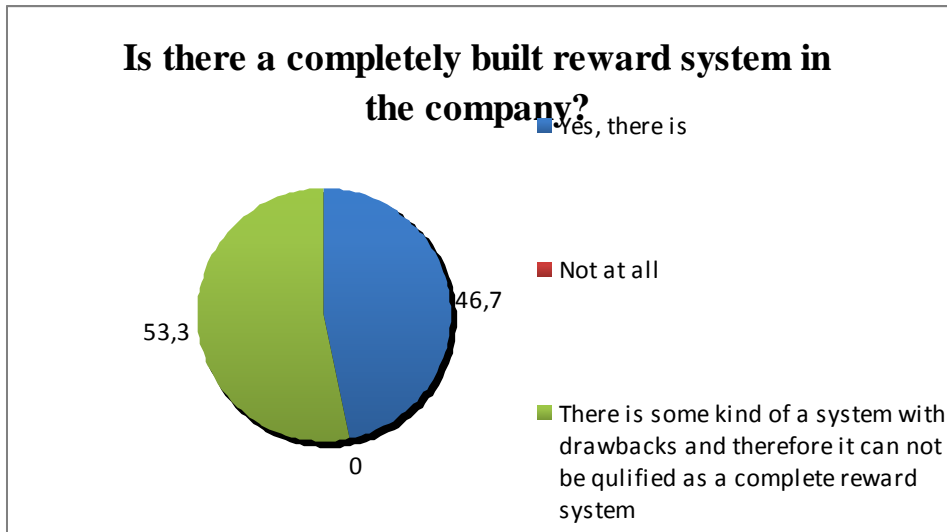
The researched literature includes a broad presentation of the spectrum of nonmaterial reward or manners of rewarding. For example, Jovanović (2016) numbers the following: giving various recognitions as a gratitude for successfully performed work; an applause as a form of recognition (at meetings, during lunch, in the office, at the end of the shift or where possible during work hours), giving a higher degree of responsibility, awarding plaques or trophies (like an award for employee of the month, of the year, etc.), a pleasant personal conversation with the employee, giving opportunity for further qualification of the employee (by organizing internal and external training and education), developing a sense of belonging to a work collective (creating an imaginary or representative image of the organization, then the best employees get treated as part of the representative team), hanging out with the employees (public exposure of the important events calendar which will include family gatherings, picnics, travel etc.), organizing sports or other competitions in collaboration with clients and other important companies (competitions can be imagined as case study solution where all participants and their companies will have many benefits from their ideas and creative initiatives). For Antić (2016, p.77), the promotion is a significantly important form of reward and is motivating the employees, especially when employees feel that are promoted according to their merit and work. But, the contribution of the authors in terms of presenting the best practices in this area is indisputable, especially those based on comparative experience. Still,

the research shows that there is a deficit in the application of these practices in the operation. This research somehow fills that gap. Namely, the obtained results showed that nonmaterial ways of reward are not implemented at all in at least 30% of the companies that participated in the research, and they are implemented very little in at least an additional 10% of companies, in an inappropriate form or insignificantly. It thus confirms the convincing dominance of the material ways of reward in the companies, which leaves room for increased engagement in this area by the people in charge (the top management, especially the rewarding body, human resources manager, etc). Such finding is the initial trigger from which further research should be performed, especially in terms of the issue of what should be further done to increase the inclusion of the nonmaterial reward in rewarding as a whole in the organization? It seems that the management science, especially the human resources management should answer these questions in near future. Otherwise, the cognition of their importance will be a difficult task for practice and we will again note only isolated practices in this part. The limits that are set along with the fact that the research is conducted only for the situation in our country, not beyond, can be taken with caution, because the situation in this area in our country is not far from the developments in the region and beyond. Regarding the nonmaterial ways of rewarding, while examining the best practices in function for increasing the employee's satisfaction on the job, it was indisputably confirmed that promotion to a higher position for 76.7% of the respondents had a positive and motivating influence.

### **Analysis and Discussion**

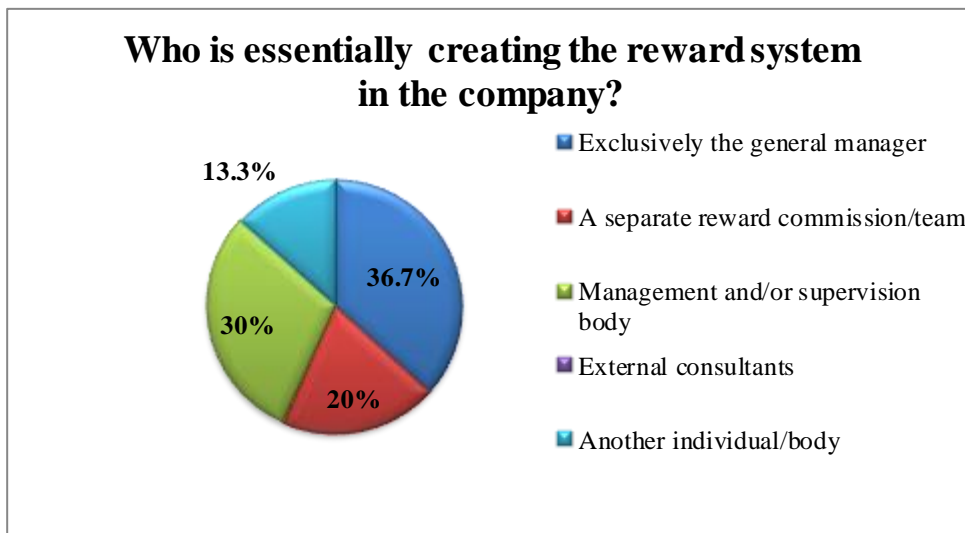
In the continuation of the text, the most significant results from the conducted research will be presented.

The data obtained from the conducted research stating that more than half of 53.3% of the participants responded that there is a certain reward system in their companies which has drawbacks and because of that it cannot be qualified as a complete reward system.



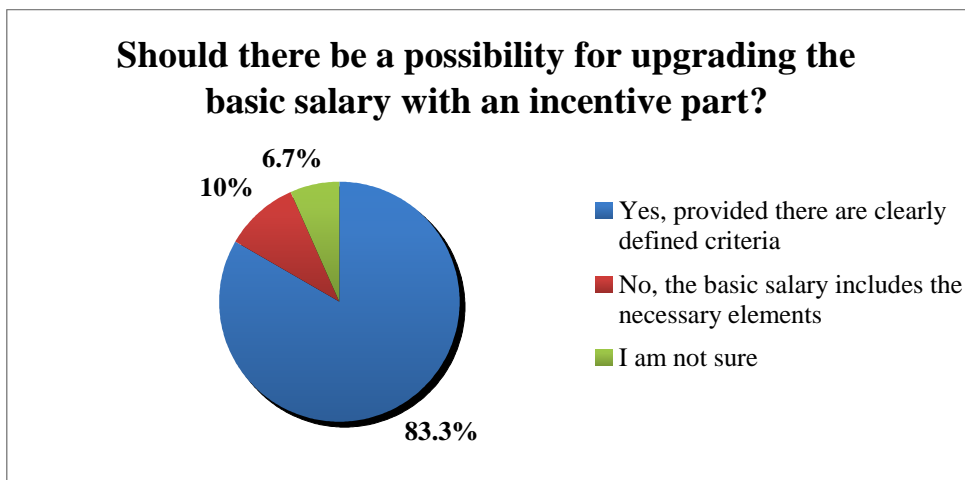
*Figure 1: Assessment of the subjects in terms of the existence of a completely built reward system in their company*

The obtained results showed that in just over 1/3 of the joint-stock companies of the processing industry, designing the reward system or rewarding itself was authoritatively regulated by the company's general manager. But besides the fact that in at least half of the companies that participated in the research, the function or the responsibility for creating a reward system is given to the management body and/or supervision body or to a separate commission/rewarding team, it can be concluded that still a diversity or division is evident in the part of practices of action. Such recommendation is further verified by the fact that in 63.6% of all the companies where the general manager has a dominant and exclusive role in creating the reward system there is some kind of reward system with drawbacks because it can not be qualified as a complete reward system. There are greater issues due to this type of centralization with small and medium-sized enterprises, instead of the large enterprises. According to the results, in 50% of the medium-sized enterprises, the reward system was exclusively created by the general manager who made decisions in 23% of the cases.



*Figure 2: Identifying the real creator of the reward system in the company*

Further, the research showed that 83.3% of the companies support the concept that the basic salary should be upgraded with an incentive/variable part, but under the condition that there are clearly defined criteria for that.



*Figure3: Assessment of the need to upgrade the basic salary with an incentive part*

According to the results, more than 2/3 of the companies believe that the incentive part of the salary should be stipulated in the proportion of max.



50% of the basic salary. At the same time, the majority of the respondents who believe that the incentive part of the salary should be up to 50% or 100% of the basic salary, fully or partially agree that the disproportionate amount of the variable part over the basic salary creates uncertainty on the job position. Moreover, almost 2/3 of the respondents fully or partially agree with the conclusion that the dominance of the variable part over the basic salary can result in a negative effect expressed as uncertainty on the job.

It is important to mention that a significant majority of the companies believe that the basic salary should be upgraded with an incentive part under the condition that there are clearly defined criteria.

According to the obtained results, the most important criteria for payment of higher salary are the following: realized productivity (86.7% of all the respondents), timely and quality obligations performance (76.7% of all the respondents), and additional initiatives during work (66.7% of all the respondents). More than half of the respondents (53.3%) stated that the incentive part of the salary should be a combination of rewarding according to the realized results on the job and rewarding based on membership in a given organization. Significant 73.3% of the respondents believe that payment or rewarding, in general, should be a fusion of individual performance on the job and results of the enterprise's operation and the results of the team where the individual belongs.

The research, also, showed that 80% of the companies believe that relating earning to the individual performance of the worker can have a positive impact on the company's profit too. Additionally, in at least 2/3 of all the companies of the research, the individual result is objectively assessed (it is an already established practice) as a base for reward and it is based on the belief that such an approach can have positive effects on the enterprise's profit too. Further on, 66.7% of the respondents (of the total number) who believe that the existence of a reward system is one of the prerequisites for the successful operation of the company, stated that they fully agree that a good reward system can improve the organization's performance.

Of the obtained results it can be seen that as much as 70% of the companies disagree with the claim that the reward system is only an expense. In the research, it was confirmed that the majority of companies consider the reward system as an investment in the human capital most of all, and of course in the future of the company itself, instead of an expense.

In the research, regarding the stated two prerequisites an equal percentage of respondents stated their opinion (83.3% of the total number for each).

Also, a large majority of 83.3% of all the respondents support the claim that the existence of a complete reward system could be considered as one of the conditions for a successful company's operation.

The results of the research showed that the largest number of respondents or 53.3% of the total number, point out the precise determination of the normed performance of the employees whose job can be normed as the biggest issue in terms of rewarding. In this part, more significant issues were also: making a clear distinction between how hard are the various job positions (43.3 of all the respondents), establishing clear criteria for meeting the given incentives (36.7% of all the respondents), and the manner of valuing the intellectual labor (33.3% of all the respondents).

In the largest number of joint-stock companies with production activity (86.7% of the total number of respondents), the salary increase is still considered as a key factor for increasing job satisfaction, meaning that the material ways of rewarding are dominant compared to the nonmaterial. As the most significant ways of motivation, besides the previous, are the following according to the companies: promotion to higher job position (76.7% of the total number of respondents), allocating a yearly bonus (60% of the total number of respondents), and possibilities for professional additional qualification (60% of the total number of respondents). Additionally, nonmaterial ways of rewarding are not implemented at all in at least 30% of the companies that participated in the research, and at least an additional 10% of the companies implemented them very insignificantly or in an inappropriate form. This again confirms the overwhelming dominance of the material ways of rewarding in the companies, which opens a room for greater engagement in this area by the people in charge (top management, especially the rewarding body, human resources manager, etc.).

According to the results obtained from the research, 76.7% of the companies believe that managers and/or the leaders of groups of workers should receive payment according to the performance and earning of the workers who are subordinate to them, but only if realistic criteria are determined for assessing the performance of every worker.

Further, 2/3 of the respondents fully or partially confirm the thesis that the direct superior should be rewarded for the well-performed job by recognition and appreciation. Such methods however originate from motivation as the objective which is constantly associated with rewarding.

For the largest number of companies creating a reward system is a strategic approach to human resources management. Such an approach contributes to joint-stock companies with production activity being more attractive employers on the labor market. In this way, the first specific hypothesis of the research was confirmed. It was already emphasized that the strategic approach in human resources management in the joint-stock

companies with production activity and creating a consistent and motivating employees' reward system will help improve the individuals' performance and the organization's as a whole. Parallely, in this way, the third specific hypothesis was confirmed that rewarding as a motivating element of the working process affects the individual performance of both employees and management, which also reflects on the organizations' performance.

The reward system which is comprehensively built can be considered as one of the most important mechanisms (if not the most important in the long term) for attracting and keeping quality staff in the companies. Such a view was supported by 76.7% of the respondents in the research, which confirmed the second specific hypothesis of the research that an established reward system provides a career framework for every individual, which is a base for attracting and keeping quality staff in the enterprise.

### **Conclusions and Recommendations**

As can be seen from the conducted research, a lot of work remains in this area. It is essential that management must orient itself towards human potential and take various actions to stimulate and motivate it. At the moment, the majority of joint stock companies with processing activity do not have a well-established reward system. This could be a evidence that this issue has not been sufficiently studied yet, and in any case that there is not enough will to solve these issues by the management. But if we take into account that the results of the company to a significant extent are interdependent with the reward as an activity, then it is logical to conclude that the orientation of the management must be towards creating a solid reward system. It can be assessed that it is inadmissible for a larger system of the type of joint stock companies not to have an appropriate reward system.

The most important conclusions that emerged from this research are the following:

First, there is still a lot of room for work by the joint-stock companies from the processing industry in the function of creating a complete and compact reward system that will deliver results.

Second, a gradual change in the business climate is recommended (especially with small and medium-sized enterprises) where an authoritative decision making prevails for all more important issues related to the operation, which undoubtedly includes rewarding and entrusting or decentralization of tasks to separate professional commissions or bodies (collective formats) in the company.

Third, to provide the effect of incentives to payments (the material component of rewarding) it should be obligatory to resort to including a so-called work success part as a component of the total salary.

Fourth, the work success part should be stipulated in the proportion of max. 50% of the basic salary for providing qualificatives for rewarding security and certainty.

Fifth, the work success part must be related to or based on clearly defined criteria.

Sixth, the criteria that should prevail or to be widely implemented when creating the work success part and even more during its payment, are the following: realized productivity, timely and quality obligations performance, and additional initiative during work and variations of the above.

Seventh, the work success part should still be a combination of rewarding according to the realized results on the job and rewarding based on membership in a given organization.

Eighth, the individual performance (achievement, result) should be taken as a central starting point and a base on which the reward system will be created, but it must be related also to the company's results.

Ninth, individual achievements and the company's result are interdependent and in that sense placing the individual achievements on the right scale of the reward system of the company will have an appropriately positive effect on the financial result of the company too.

Tenth, during the work success part modeling phase, care must be taken for the specifics of the physical to intellectual work in a colloquial sense, as well as work that can be measured by norms and the work where that is almost impossible, and for achieving the goal of rewarding.

Eleventh, the process of creating a reward system or when deciding on rewarding anyway, should be based on the inclusion of the stakeholders (representatives of the employer, employees, or their representatives).

Twelfth, the reward system should not be perceived solely as an expense of the company, but as an investment that will have a positive impact on stabilization and improvement of the company's financial results.

Thirteenth, the most important or key prerequisites for a successful implementation of a comprehensive reward system are the following two: the existence of a clearly defined work results assessment criteria for each job position and the commitment of the company's management for putting a reward system into operation.

Fourteenth, a fully and completely built reward system is one of the prerequisites for successful companies' operation in the long term.

Fifteenth, to provide a comprehensive and quality reward system in the company, it is necessary to find the efficient solutions for issues related

mostly to the precise determination of performance by norms for employees whose job can be measured by norms, making a clear distinction between how hard is the job position, establishing clear criteria for meeting the given incentives, manner of valuing the intellectual labor, etc.

Sixteenth, there is a need to work on increasing and improving the nonmaterial ways of rewarding in the companies, i.e. to work on more enhanced promotion and implementation of various HR practices for nonmaterial rewarding.

Seventeenth, the rewarding system based on realistically determined criteria for assessing the individual performance, the payments or other rewards of the managers will largely depend on the results of the people subordinate to them.

Eighteenth, decentralization in terms of rewarding which is inevitably imposed in the contemporary rewarding systems should be based on the immediate role of the direct superior in the process, by applying the recognition and appreciation methods.

Nineteenth, companies should see rewarding as a strategic commitment.

The twentieth, once established reward system should not be treated as immutable but should be revised and adjusted following the dynamics of operation and the requirements of the employer and employees.

Twenty-first, the reward system must be clear and transparent to deliver the desired results in terms of motivating the employees.

Twenty-second, the reward system which is comprehensively built can be considered as one of the most important mechanisms (if not the most important in the long term) for attracting and keeping quality staff in the companies.

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