Many countries in the world, including Croatia, are facing crises in their economies. There are numerous reasons for this situation, and problems of the business market present one of them. Nevertheless, successful business relationships are what keeps the market alive. Those relationships, namely buyer-seller relationships, are creating and influencing the market and economy on the whole.

However, Croatia is living in the age of neoliberalism. As a dominant ideology of today’s world, it influences how companies behave on the market. On the one hand, it suggests competition as the best solution for existence. On the other hand, the interaction approach, teaches us to change our perspective and to cooperate on the market.

In order to benefit the most, the aim of this paper was to review and compare these two approaches, to highlight their features and main differences, and to support them with empirical evidence. The cases of three Croatian companies show the reality of today’s market and an urgent need for a new business theory and practice.

**Keywords:** Neoliberalism, crises, the interaction approach, competition, cooperation, business relationships
1. Introduction

Many countries in Europe, including Croatia, are facing crises at the moment. Over the years, the concepts and theories of neoliberalism have been researched and followed in Croatia, together with the belief that in order to survive on the market companies have no other option than to compete with each other. However, competition in practice is not working out as it should be when following these theories. Mostly it leads toward attempts to get the monopolistic position on the market and to destroy all other companies. Nevertheless, this paper presents another stream of the literature that introduces different approaches for business market behaviour. It promotes cooperation, interaction on the market between buyers and sellers and long-term business relationships.

Bearing in mind that the perfect market does not exist, researchers and academics of today should try more than ever to focus on combining different disciplines and approaches in order to find “the most suitable one”. Therefore the aim of the paper is to present these two opposing views and streams of the literature with relevant suggestions of plausible solutions. Therefore, the paper begins with a short literature review and presentation of the concept of neoliberalism and the interactive approach. After observing different approaches, a methodology section follows, in which the companies and the process of empirical data collection is described. Discussion about the current situation on the market includes interview data from three Croatian companies through narratives. Companies were chosen so as to represent small, middle-sized and big companies on the market. Subsequently, different perspectives are shown as a competition vs. cooperation section. At the end, the paper provides a conclusion together with future research suggestions and limitations.

2. Neoliberalism and crises in the Croatian market

Neoliberalism is an economic and political ideology that seems to be dominant in our world today (Saad-Filho, Johnston, 2005). Following Clarke’s (2005) opinion, foundations of neoliberalism can be found in classical liberal economic theories of Adam Smith and his followers. As the next argument (Palley, 2005; Thorsen, Lie, 2007), neoliberalism seems to be a replacement for the economic theories of John Maynard Keynes (1936). This monetarist approach, founded by Friedrich Hayek and Milton Friedman among others, has been part of economics in most European countries lately, including Croatia.

The beginning of neoliberalism in Croatia started in 1991, with Croatia’s declaration of independence. Neoliberalism supports the belief that the market works as a freely adopted mechanism where goods and services are exchanged in an optimal way and where government intervention is kept to a minimum (Friedman, 1962). However, looking at the situation in Croatia, it is clear that neoliberalism is not functioning as planned. Maybe as a result of problems in the public sector, judiciary, in liquidity and insolvency of many companies, but necessary growth and development is restrained (Djakovic, Andjelic, 2014). Instead of a free trade will and encouragement of a creative entrepreneurial spirit that is leading to individual well-being and liberty (Thorsen, Lie, 2007), the Croatian market is facing fierce competition, start-up bankruptcy and total economics and social crises.

When trying to define a market, classical economists and neoliberalists describe it as a place where demand and supply meet and where the price is made as their outcome. Companies look at each other as rivals with the end goal to “win” consumers and the biggest market share. Therefore, the market exists only as a place for making a profit where most of the companies are following the rule: “My company against all others”. That often results in vain efforts and increased costs of production.

Nevertheless, returning to neoliberalism and neoclassical assumptions, individuals are described as always rational in business and maximizing their utilities, with a conclusion that they should have the greatest freedom on the market (Rapley, 2000). However, over the years that assumption has proven to be wrong. As a result, there is a ‘practice’ these days in which “poor countries are subsidizing rich countries and poor individuals are subsidizing ultra-rich individuals” (Ristic, 2014: 40). It is also stated that the global economic crisis, together with the implementation of neoliberalism, is moving the main centre of gravity of the global economy from the manufacturing to the financial sector, leaving the manufacturing sector as irrelevant. However,
if the manufacturing is collapsing, where does the economy go? “All of that results into individual freedom to capitalize on poverty in the form of private benefits such as competition, as a key incentive for the development and generation of monopoly” (ibid., p. 40).

Finally, as 2001 Nobel Prize winner Joseph Stiglitz said in his work (2002), there is little evidence that neoliberalism actually promotes economic growth, and without strict rules and timing it triggers more harm than benefits (Engel, 2010).

3. Introducing the interaction approach

Shortly returning to neoliberalism, as well as Keynesian economics and microeconomics and their school of thought, firms are defined as independent units that operate on the market isolated from each other. Demand and supply are the key drivers in the environment where companies solely compete with each other. There are business relations, which are characterized as mostly short term relationships, or simple one-time transactions. Companies fight for a competitive advantage on the market, trying to find risk reduction mechanisms which will provide the safest and most beneficial transaction.

All of the above mentioned can be illustrated with the jungle metaphor: “It is a metaphor that pictures a landscape characterized by deadly competition between the companies that populate it” (Håkansson et al., 2009: 1). However, since the mid-1970s, a significant number of business marketing researchers have widely argued against the classic economist view (e.g. Håkansson, 1982; Johnson, Mattsson, 1987; Gadde, Mattsson, 1987). Based on their opinion, companies do not exist on the market only to fight for the best place and best customers, but to interact and cooperate with each other. As a result, the Industrial Marketing and Purchasing Group (IMP) was formed and empirical studies on business environment have been carried out during the last 30 years. They argue that: “...mainstream economic thinking and models have simplified away some fundamental aspects of business life and have, therefore, provided an incomplete understanding of the basic processes and structures of the business landscape.” (Håkansson et al., 2009: 1).

The IMP Group1 and their approaches have taken networks and relationships between firms to the forefront of business marketing research. It all started with a number of case studies conducted in Germany, Italy, France, Sweden and the UK. While analysing the case studies and observing the phenomena of business relationships and interactions, academics could not explain them through any existing theories and frameworks. Those case-study companies acted differently than expected and the basic question arose: “Why do producers and users hold on to each other over years and even decades, instead of jumping around between different counterparts, playing with the price mechanism?” (Håkansson et al., 2009: 14). The average business relationship was more than 12 years old, but the most important finding was that those companies were not competing, but instead working together in order to create mutual benefits (ibid.).

Therefore, individual transactions were replaced with business relationships which may evolve over time and construct e.g. attractiveness, trust, loyalty and commitment between the partner companies, concepts that do not exist in traditional theoretical models. As a result, the interaction approach (Håkansson, 1982) has been created. It combines many disciplines, starting from resource-dependence and social-exchange theory, through transaction cost economics and a political-economy framework. However, the competitiveness of a company from this perspective is seen as its competence to find good business partners, to develop long-term relationships and to successfully manage its network of closest relationships. As a unit of analysis, the interaction approach focuses on the relationship, instead of an individual transaction, product, firm, market, or even a person (Turnbull et al., 1996; Håkansson et al., 2009). It follows the development of a relationship over time, its nature, the atmosphere during the interaction process, bonding between the partners, the use of resources, etc. (Turnbull et al., 1996).

Equally important, one of the main points for business relationship development is the interdependence of companies (ibid.). In other words, each company is a dependent part of a network, which presents a wider structure of other business relationships, and it exists as a supplement of the interaction process, not as an independent actor (Håkansson et al., 2009). In a business network, however, each relationship is unique and therefore
it can be concluded that “a company is both the determinant and the outcome of its relationships and what happens in them” (ibid., p. 190).

4. Methodology

In order to examine the current situation in the Croatian market, detect certain challenges it has been faced with and suggest future actions, some empirical evidence of research projects from the IMP Group were taken into consideration. In simplistic terms, neoliberalism was contrasted and compared with the IMP interactive approach and frameworks. Besides secondary data collection, primary data in terms of qualitative case study was collected. Three Croatian companies were interviewed and narratives were used to gain insights into individual stories, people’s interests, motives and activities, and at the same time for studying complex interactions between these segments in their context (Halinen et al., 2012). This qualitative research strategy and case study approach seems plausible for reaching the aim, because it investigates and presents a phenomenon in a real life display (Platt, 1992). Furthermore, long face-to-face interviews based on McCracken (1989) instructions were used as the key data collection method for receiving good descriptions of the studied phenomenon (Tidström, 2006).

Three companies were chosen carefully, in order to be representative and paying attention that all company sizes are represented (small, middle and big companies). These companies present a case study, where the network of business relationships is taken as a focal construct. In this network, the main role is played by “Teri Ltd”, a middle-sized company with an activity in the retail sale of food, beverages and tobacco. The second company is “Podravka”, which is one of Croatian biggest corporations that produces food and beverages and exports them to many other countries. “Podravka” was interesting as a case company because it is one of the main product suppliers for “Teri Ltd”. The last company taken into consideration for this article is a small, family-owned company called “Filip promet”. It is a good case company based on its connection with the “Teri Ltd”, as the main service (transport) supplier. All the above mentioned companies provided interesting narratives about their own network as well as the current situation in the Croatian economy.

The interviews lasted from 1 to 2 hours and covered diverse topics, starting from each company’s internal situation and ending with their external views of the network and today’s economy in total. For this article, the companies’ individual perspectives on today´s market situation and business relationships were taken into account, together with the personal business views of their managers. Mutual comparisons of different business markets and economic situations resulted in numerous significant comments and contributions towards the explored phenomenon.

5. Discussion about the current situation on the markets

Observing the current situation, with all the aggravating circumstances in the markets, we can conclude that the perfect market doesn’t exist. However, some Scandinavian and Western countries with a harmony between the market and private property, with a strong and efficient public sector and emphasis on the regulatory role of the state, seem to be getting nearest to such a market situation (Dimitrijevic, 2014). In those countries the state is responsible for the field of social security and the labour market; there is a sense of social justice and solidarity, resulting in economic efficiency and fairness (ibid.). Those institutions are very strong and the level of corruption is really low, despite relatively mild sanctions (ibid.).

While looking at these characteristics, we are asking ourselves what could be done in Croatia in order to change its bad economic situation. Having in mind that those companies which are on the market cannot make new governmental policies on their own, or e.g. change a tax rate, we need to think of other solutions. However, going back to the IMP interactive approach, the above mentioned well-developed countries seem to have followed its instructions. In order to achieve harmony on the market, companies are finding a way how to collaborate and cooperate with other companies, how to follow all the rules and regulations of the state, but at the same time how to make long-term benefits out of it. As illustrated in Figure 1, the current situation on the Croatian market presents competition and rivalry, therefore leading to crises, whereas the newly proposed IMP approach offers a solution in cooperation and interaction between companies.
The current situation in the Croatian market, as well as in other markets of European countries is characterised by a constant fierce competition between companies. This competition can therefore only lead towards some short-term benefits, such as higher profit based on marginal costs, and fighting competition based on e.g. lowering the price. However, these benefits will often not last long enough for a company to assure its stable position on the market and around its competitors. On the other hand, there is the IMP approach, where cooperation with other companies will bring them mutual, long-term benefits. Of course, there will be competition existing on the market as well, but it will not be the main way of doing business. Because, as Decenty et al. (2004) argue: “Cooperation is often more appealing and socially rewarding.” Companies that focus on cooperation will develop trust and commitment between each other, which can even lead towards some short-term sacrifices of one company in order to preserve the cooperation with another one and maintain a relationship.

Building on Figure 1, interviews from the case study have led to the same conclusions. Directors and managers of the companies have all agreed that something needs to be changed. It needs to be changed fast, otherwise these crises will never end. Is it a matter of still being a country in transition, without perfect regulations and fighting with corruption? Or is it a result of following the wrong directions of economic theories and their suggested practices? Maybe a combination of both, but starting with the small, family-owned transportation company “Filip promet”, the main problems detected in its business were mistrustful potential partners and growing competition on the market. As the director and owner of the company said, some great ideas of cooperation with his competitors, in order to compete on the market in joint efforts, were just vain desires:

“I already had some ideas for cooperation with my competitors. Especially when talking about transportation service for big companies. As we know, the situation on the market is horrible and each of us alone is just too weak. When I go to a big company with my 6 trucks, they won’t take me seriously, or even listen to my proposal. So, if we could just join our efforts, team up, get 100 trucks and go before a big company that needs transportation services, we could get some results. Unfortunately, other companies are not ready for this step. I wouldn’t say it would be totally impossible to manage, but for now it’s really, really hard. No one even wants to hear suggestions like this one. They immediately start thinking that I have some hidden intention of tricking them and gaining profit just for myself.”

This problem is common on markets that are disorganized and non-functional. However, the concept of co-opetition (Brandenburger, Nalebuff, 1996) may fit well as a solution for these problems. This concept describes cooperative competition, where companies on the market are working together to achieve their mutual goal, but at the same time (maybe on a different market) they are in direct or indirect competition. It can occur both at the inter-organisational and intra-organisational levels of companies, but it should be managed in a proper way. Especially after entering the EU, when competition spread across the borders of Croatia, this cooperation through co-opetition may be of utmost importance:

“We are now in the EU and I would compare it as a glass of water entering the sea. How many trucks Croatia has, what do you think? If we gather all of our trucks, we can get the same number as one, just one service provider has in, let’s say, Austria! Just one! Austria is such a small country, smaller than Croatia, but one of their truck operators has more than we all do. And Austria is just one of the countries we are competing with at the moment.”

As can be seen from the interview, small companies are not willing to cooperate, not willing to interact more than they are obligated for doing their businesses. Most of the time the reason lies in their inability to connect with other potential partners, solely because there is no perceived trust between them. They believe that they are too small, with limited amount of financial assets, and that it is too risky to try any kind of investment in mutual cooperation. They are afraid of losing everything, but they are not aware that the current situation is even
more dangerous for them. Therefore, taking into account all the facts, companies are forced to compete and forced to look at others as enemies first. As the director of middle-sized wholesaler and retailer “Teri Ltd” said:

“In 2004 ‘Gastro Group’ was founded in the area of distribution. It was providing a common growth on the market and improvement of the quality of business for everyone in the value chain. As a cluster we managed good cooperation for a while, but then problems started. Some companies couldn’t survive the crises on the market, others were part of acquisitions and mergers so the power dependence was changed in the group, which led to more problems. Over time, trust and loyalty started to lack between the members and the Group unfortunately fell apart.”

It can be seen from this situation that even when companies try to organize some kind of cooperation, form a group of companies that will work closely with each other, they seem to fail. Even though “competition makes people less cooperative, promotes selfishness and free-riding, reduces contributions to public goods, and leaves society worse off” (Ottone, Ponzano, 2010), it appears that Croatian companies are not ready for the step further. The conclusion is therefore that, especially when companies are middle-size or big, crisis will affect partner commitment and mutual trust, especially in cases where partners could compete on the market at the same time.

The company interviewed the last was “Podravka”. As Croatia’s biggest food producer, this company plays a significant role in foreign trade as well. Taking this into account, it was possible to see possibilities of small firms in comparison with middle-sized and big firms, opportunities and weaknesses of different markets and the way of doing business. One of its directors said:

“If looking at parameters such as popularity of product brands, export orientation, the presence on the global market and market share, then Podravka is the most successful and recognizable company in this part of Europe. However, when I was working in Poland, many years ago, on the revitalization of the market and our brand, we realized that even though in Croatia we were big, we were still small producers in Poland, with bigger companies buying from us. We didn’t have the strength that we had in Croatia, but we had the same performance on the market. Therefore, we needed to change our tactics and turn to the right business partners.”

As already said, the ‘right’ business partners are ‘gold’ for any relationship. Therefore, an adequate amount of trust and commitment is of great importance, as well as the willingness of both partners to keep the relationship alive and lasting. Furthermore, when going international, besides having the right partners, it is also important to be informed about the market and to protect the company’s rights and liabilities. Otherwise it can turn out badly:

“Some time after I left Poland we realized that one of our competitors started to re-export Vegeta that is produced in Poland at cheaper costs of production. With that act, they were competing with us on the Croatian market, by selling our product at a lower price.”

Even though Podravka solved that problem in a short time, we can highlight again the importance of a good connection and trust between past, existing and potential business partners.

5.1 Competition vs. cooperation

When companies are connected with each other through the purchase and sales of goods and services we can distinguish between two extremes. The first is arm’s-length relationships, characterised by clear transactions followed by official contracts and paperwork, where any change in e.g. price results in the change of a partner. These transactions, with neglected importance of social interactions and mutual investments in a relationship will result in a superficial exchange of goods and services. In a market where arm’s-length relationships prevail, competition is the only functional solution. On the other hand, the second extreme is presented by long-term relationships. They are sometimes even based on already established personal relationships, without signing a formal contract. Companies are ready to invest in a relationship and adapt their behaviour to their partner (Andersson, Forsgren, Holm, 2007). Business routines are becoming interconnected and mutual trust, commitment and loyalty are developed. Based on investments in the relationship, companies are not willing to change a supplier/buyer only based on some tangible aspects, such as e.g. price, delivery, etc. Instead, they are ready to make short sacrifices for the future benefits.
and sustainability of their relationship. These situations are resulting in cooperation on the market. However, it is important to highlight that nothing is only black and white. It all depends on preferences, possibilities and goals companies have. Competition and cooperation are two opposite perspectives that negate each other when compared, but it cannot be said that either is the totally wrong or right approach. However, based on experience and market situations in Croatia, it can be seen that competition is not the best possible solution after all.

Some could agree with John Toye’s (1993) proposition that self-interest is the only motivation for individuals. However, that self-interest can work out well, or end poorly. In the situation on the market where everyone competes with each other, where there is no trust, commitment or loyalty between companies, managers focus on their firm only in order to gain the biggest market share and high profit. However, that could lead towards some poor business decisions. Because, after all, we just cannot ignore companies that surround us. They are part of the same market; they have almost the same goals as we do, so why not help each other instead? Therefore, when managers finally become aware that “no business is an island” (Håkansson, Snehota, 1989), and companies cannot work in isolation from each other, their self-interest will become a good intention towards everyone, and positive outcomes will follow.

Figure 2 Competition vs. cooperation—different perspectives of a business market

As a central notion of competition, business transactions are presented. These transactions are usually defined as one-time buying or selling events where financial exchange is the most important aspect. This is therefore mostly short-term with respect to the time period, and definitely not a process. However, when these business transactions repeat, and when they become ongoing, most of the time they turn into a process which ends up being long-term. That process of constant information exchange and communication, not only on the organizational, but also on the inter-personal level, is characterised as a business relationship. It is defined as cooperation between at least two companies, who develop trust, commitment and loyalty between each other. However, it is important to keep in mind that markets are far from being perfect, so in most cases companies can be found somewhere in the middle of competition and cooperation. Nevertheless, their goal should always be directed towards the top right corner of the chart.

6. Conclusions

“Neoliberalism means different things to different people.” (Birch, 2015: 571). Agreeing with Birch, it is evident that neoliberalism is a multifaceted phenomenon and therefore demands special attention from both academics and practitioners. It describes the shift in economies over the past decades, but unfortunately negatively associated.
However, the aim of this paper is neither a condemnation or judgment of any theoretical perspective, nor is its goal to decide on their strategic significance. Instead, what we have hoped to achieve is to present the level of differences in perceptions and possibilities for academics and practitioners to familiarise themselves with different perspectives.

As often repeated, neoliberalism is one of the main reasons for the poor economic situation in Croatia (Ferencak et al., 2014). As a consequence, a public awareness is produced that defines neoliberalism as insufficient in such complex market situations, as the one we are currently facing (Djakovic, Andjelic, 2014). Therefore, it is of extreme importance for countries to create and build a new socio-economic approach for business markets. Until today, Croatia and its neighbouring countries have not been successful in finding new solutions and business models, so the only thing left for them to do is try to reduce the bad effects of the crises (ibid.).

As Ferencak et al. (2014) highlighted: “Actual markets are, more or less, far from their role model – a market of perfect competition.” By some mean, maybe they should be. Because competing on the market and killing your competition is not the best solution in an already bad market situation. One company cannot be the expert in everything and cannot expect to survive without the help of others. At the same time, companies need to respond to the challenges of changing market conditions, failure of which leads toward further deepening of market instability and disturbances. Countries in transition economies, such as Croatia, have reacted to these negative effects more sensitively then developed economies. Changes were deep, sudden and intense, and consequences significant (Djakovic, Andjelic, 2014).

However, things cannot be changed on the spur of the moment, and perhaps Croatia cannot immediately get to the level of highly developed countries. It takes time and tremendous effort. But the first step is to follow good business examples and teach them in schools. And if we could just change the way people think about the markets and business relationships, it would be a good start for changing bad economic situations in countries and getting closer to the level of successful economies.

6.1 Future research suggestions and limitations

This paper makes an important contribution to the Croatian academic and managerial world by introducing a different perspective on the way business relationships could look like and how markets can be organized in a different manner. While there is a big amount of research, both in theory and practice, done by the IMP group in this area of research, it still has not been used for helping Croatian companies and their operations. Limitations that could appear in this situation are based on different rules and the way of doing business in Scandinavian (base of the IMP research) vs. Croatian market. However, researchers should focus more on broadening their perspectives, combining different theories and thinking “outside of the box”. After accepting the interactive approach, managers especially could benefit from going even further by researching and implementing the network approach of embedded business actors. However, the current situation in the Croatian market should be considered as a limitation in the sense that these concepts maybe would not be accepted so readily like in developed countries, because some of the core beliefs should be changed first.

Furthermore, in connection with the first interview about a small, family-owned company, a future research suggestion could be made based on international opportunity recognition perspective on small and medium companies (Kontinen, Ojala, 2011). This perspective is focused on gathering and joining together small enterprises and start-up companies in order to gain more power and create the ability to face competition with joined forces. In that way, small and family-owned companies can fight back their competitors and survive longer on the market.

Lastly, it is also important to take into account all the new regulations Croatia has adopted after entering the EU. How do these regulations and the new economic structure affect the market conditions and the economy in total? And is there a way we can change our future?
References


(Endnotes)

2. Vegeta is one of the most popular products of Podravka
Mnoge se države svijeta, uključujući Hrvatsku, trenutno suočavaju s krizom u gospodarstvu. Postoje brojni uzroci spomenute situacije, a jedan od njih je i način poslovanja na tržištu. Kao što je poznato, uspješni poslovni odnosi su ono što drži tržište na životu. Ti odnosi, posebice odnosi između kupaca i prodavača, izgrađuju tržište te gospodarstvo u cjelini.

Hrvatska se trenutno nalazi u doba neoliberalizma. Kao dominantna ideologija današnjice, neoliberalizam diktira ponašanje tvrtki na tržištu te predlaže tržišno natjecanje kao najbolje rješenje za opstanak. Interakcijski pristup tržištu s druge strane uči nas da je potrebno mijenjanje perspektive te uvođenje suradnje između pojedinih tvrtki na tržištu.

Cilj je rada usporediti dva navedena pristupa, istaknuti njihove značajke i glavne različitosti te ih potkrijepiti empirijskim dokazima. Na primjeru tri hrvatska poduzeća prikazuje se stvarnost današnjega poslovanja na tržištu te nužna potreba za mijenjanjem teorije i prakse poslovanja.

**Ključne riječi:** neoliberalizam, kriza, interakcijski pristup, konkurencija, kooperacija, poslovne veze