

# Mind the Gap: Citizens' and Companies' Views of Business Culture in Croatia

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## Abstract

This paper is an investigation of the various aspects of business culture in Croatia. The existing literature is focused mainly on the significance of cross-country cultural differences in doing business, whereas this research explores the specifics of the national business culture from a different angle. Using original survey data, it provides comparative insights into how Croatian citizens and companies assess business culture. The main research questions were whether there is a common understanding of business culture and whether there are differences in assigning importance to 16 elements of business culture between citizens and the business sector. We have further analyzed how respondent companies evaluate their business culture performance compared to the rest of the business community. The results of the survey enable us to derive policy recommendations for the

business sector as well as for policy-makers in improving the business culture in Croatia.

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**Keywords:** business culture, public perceptions, business opinion survey, Croatia

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**JEL classification:** M14, D21, D23

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## 1 Introduction

This paper investigates various aspects of business culture in Croatia. The existing literature is focused mainly on the significance of cross-country cultural differences in doing business (e.g. Hofstede, 1980), whereas this research explores the specifics of national business culture from a different angle. Using original survey data<sup>1</sup> collected in February 2012, it provides comparative insights into how Croatian citizens and companies assess business culture. The research is based on a survey conducted on a nationally representative sample of 636 citizens and 401 companies in Croatia. Using the data collected by two compatible questionnaires enabled us to examine the perceptions and attitudes towards business culture from the point of view of the Croatian public, and from the point of view of the companies.

The main research questions were whether there is a common understanding of business culture and whether there are differences in assigning importance to 16 elements of business culture between citizens and the business sector. We have further analyzed how respondent companies evaluate their business culture performance compared to the rest of the business community. Selected elements of business culture are analyzed in detail from several angles: the general situation in Croatia, as viewed by the public and business, particular companies' self-assessments and identified areas for improvement.

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<sup>1</sup> The survey was conducted by the agency Henda for the Association for the Promotion of Business Culture-KUP, [www.udrugakup.com](http://www.udrugakup.com). The authors would like to thank KUP and Henda for supplying us with the original database for this research.

## 2 Business Culture: Looking for a Definition

In the last twenty years or so, cultural explanations have contributed considerably to the understanding of economic phenomena, as a central part of the broad discipline of economic sociology (DiMaggio, 1994). Culture is here defined as a nested set of beliefs, attitudes, values and practices which are robust and relatively resistant to change, at least in the short-term, and, as such, “largely a ‘given’ to individuals within their lifetimes” (Becker, 1996: 16). Culture in this sense may have a crucial, even causal, impact on economic behavior. In the literature, the unit of analysis which is said to possess a “culture” varies depending on the type of relationship being established. Whole nations, collections of nations within a macro-region such as Northern Europe, and even very broad groupings such as “the West” and “the East”, have been said to possess a “culture” (Ronen and Shenkar, 1985). All of these have been shown to impact the nature of business in different parts of the world. Other work focuses on cultural differences between groups, whether they are based on class, ethnicity, or religious belief (Guiso, Sapienza and Zingales, 2006). A third body of work addresses “organizational culture”, conceived as a set of coded rules and understandings about what is acceptable within a business and what is not (Brown, 1995). Sometimes the work on business cultures has moved in a rather haphazard manner between all three uses of the term. Hofstede’s (1980) pioneering work points to the way in which certain national cultures determine how businesses in different countries and/or parts of the world operate and are organized. In an age of globalization, recent studies have begun to chart the impact of diverse national cultures on business operations and the formation of more complex, hybrid, business cultures (Mohn, 2004).

The importance of “structural coherence” (Jessop, 2000) in modern social, economic and political systems, between the *micro-*, *meso-*, *macro-* and *meta-* levels is increasingly stressed in economic sociology. Here we are concerned with both the *meso-level* of organisational culture and the more *meta-level* of national cultural factors, or what Jessop, borrowing from Messner (1996) terms values,

norms, identities, and interests. In Croatia, a country emerging out of transition from war to peace, out of a socialist system to a market economy, from a one party system to political pluralism and, crucially, from being a part of the larger federal system to being an independent sovereign state (Ramet and Matić, 2007), the *meta-level* itself is in transformation, to some extent. The impact of a rather traumatic transition, marked by considerable distrust of privatization and, indeed, scepticism regarding the legitimacy of the first generation of new entrepreneurs (cf. Baletić, 2003) speaks to a number of Hofstede's classic cultural dimensions, notably regarding the distribution of power and resources, the balance between individualist and collectivist values, and the threat felt when facing uncertain or unknown situations. The complex relationship between these two levels and the *micro-level* of individual biographies, choices, and behaviors, and the *macro-level* of political economy is beyond the scope of this text. We can only assert that all are vital for a truly holistic understanding of complex societies. Indeed, a more nuanced exploration of these relationships would necessitate a more thorough engagement with the interface between economics, sociology, and psychology, which is beyond the scope of this paper (cf. Antonides, van Raaij and Maital, 1997).

Business culture at the level of organizations or firms suggests that, over time, there is a convergence of beliefs, expectations, norms and behavior within individual firms which, in their difference from other firms, helps to explain variations in performance. Firms are seen, in this context, as institutions which socialize new members into both formal and informal rules about expected and desirable behavior (Taormina, 2009). Borrowing directly from cultural anthropology, firms are said to reproduce these norms through rituals, ceremonies, and routines (Deal and Kennedy, 1982), constituting a kind of communicative performance or dominant narrative, which the new member must share, at least at some level, in order to fit in (Pacanowsky and O'Donnell-Trujillo, 1983). The list of factors influencing organizational culture in the literature is enormous, with researchers having great difficulties distinguishing between factors which are influential and

those which are, actually, integral to the nested matrix of culture itself. Again, organizational cultures are seen as evolving and, though resistant to change, at least in the short-term and in “normal” circumstances, can change dramatically and even rapidly, in the context of wider shifts both internal, in terms of leadership style, and external, through mergers or acquisitions. The importance of culture in organizations, business and management was recognized by Smircich (1983) who argued that the concept of culture should be incorporated in the organizational analysis because cultural theory and organizational theory intersect in the areas of comparative management, corporate culture, organizational cognition, organizational symbolism and processes.

Inevitably, concepts used in economic sociology also have a resonance in popular and business terms. In everyday life and professional language, people often use terms such as “company culture”, “corporate culture”, and “business culture” interchangeably, as these terms represent the application of the concept of culture within a specific type of organization, namely the modern firm. From the internal, company’s point of view, company culture includes the company mission, values, ethics, expectations, goals, and work environment. Sometimes companies promoting their own company culture talk about the *personality* of a company. Although company culture is path dependent, many management studies texts argue that developing the right corporate culture can be crucial to success (Sadri and Lees, 2001). Organizational and management literature also offers vague definitions. Hill and Jones (2001: 68) describe organizational culture as “the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization”. For Vaiman, Sigurjonsson and Davidsson (2011) business culture is a tradition and consideration toward the set of explicit and implicit rules that facilitate business interactions in a society.

Our research aims to assess the meaning of business culture according to public opinion and businesses, and the values that these two groups of respondents assign to business culture. The survey respondents were therefore asked to formulate an

open definition of business culture. As the literature provides a wide range of recommendations on how to build business culture<sup>2</sup>, we were also interested to see which activities should be undertaken to improve it. The results achieved from the two groups of respondents enabled us to confront and compare the different understandings of the notion of business culture and the sets of values most frequently attributed to it.

The purpose of our research is not to test any of the business culture definitions from the literature but to offer empirical explanation as to what would be the relevant set of values defining business culture in Croatian society and its business sector. As such, we are moving between the *meso-* and *meta-levels*, referring to both business' views about what matters to their company, and the public's views on the role of business in society. Assessing business culture from this perspective is seen as contributing to the scarce research on business culture in Croatia. The following section provides an overview of models that were used and of the selected results of investigating business culture in Croatia thus far.

### 3 Business Culture in Croatia: Previous Research

Researchers have developed models to describe different indicators of organizational culture. One of the most important seminal studies of cultural dimensions dates from 1980 when Hofstede explored how different national cultures might influence business behavior. He defined dimensions of national cultures and clustered nations accordingly. Originally, four dimensions of national culture were defined: *power distance*, *individualism vs. collectivism*, *masculinity vs. femininity*, and *uncertainty avoidance* (later, two more dimensions have been added to the model: *long-term orientation* and *indulgence vs. restraint*)<sup>3</sup>. Hofstede explored cultural differences and how values in the workplace are influenced by the culture (Hofstede, 1980). Hofstede's dimensions denote the beginning of the

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2 See for example, Gibb (1993) for enterprise education, Millikan and Millikan (2007) study of character development, Čančer and Knez-Riedel (2005) for creditworthiness of business partners.

3 See <http://geert-hofstede.com/>.

cross-country comparisons of cultural traditions and values that influence doing business. Since one of the existing research studies of business culture in Croatia is done in comparison to the other East-European countries, it is worth illustrating what theoretical background could be used. Hofstede's original study found high acceptance of *hierarchy*, *uncertainty avoidance* and weak *individualism* within Yugoslavia in 1971, values not seen as lending themselves to entrepreneurship, and leading Hofstede to group Yugoslavia with the countries of Latin America. The survey was carried out in only one enterprise ("Intertrade") whose head offices were in the (then) Republic of Slovenia. In a later edition of the book (Hofstede, 2001: 501), the Yugoslav results are disaggregated based on results from branch offices in Ljubljana, Slovenia; Zagreb, Croatia; and Belgrade, Serbia. Although the sample size is small, the Croatian sub-sample scores lower on *uncertainty avoidance* and higher on *individualism* than the other two republics.

Among researchers who have developed various models to define the dimensions of business culture, the work of Trompenaars is one of the most cited and applied in further research. We will briefly explain his concept because it was used by Goić and Bilić (2008) to analyze the business culture in Croatia. Trompenaars (1993) considers culture as a way in which a group of people solve problems. Business behavior is evaluated through seven fundamental dimensions of culture. The flexible approach to every specific problem denotes the culture of *particularism*, as opposed to *universalism*. If individual creativity is valued more than teamwork success, the prevalent attribute of business culture is *individualism*, as opposed to *collectivism*. Where emotions are clearly displayed in business relationships, the business culture is *emotional* or affective, and not *neutral*. Intertwined business and private relationships denote *diffuse* culture, as opposed to *specific*. Work status might be *ascribed* to the employees based on formal position instead of *achievements*. Different attitudes towards *time* and *environment* shape the business culture as well.

Since 1993, Trompenaars' concept has been used and developed to assess and investigate cultural differences between countries. Goić and Bilić's (2008)

research was based on Trompenaars' methodology and applied to seven transition countries including Croatia, enabling the comparative study of business culture dimensions in the selected countries.<sup>4</sup> At the time of the survey, conducted in 2005 on a small sample of business administration post-graduate students, business culture in Croatia had been evaluated as rather weak. A relatively high level of universalism, which means stricter adherence to rules and standards, has been evidenced in Croatia when compared to other countries. In business relations Croats tend to hide emotions and the mixing of private and business relationships is rare. Although the ratio between individualism and collectivism is quite balanced, personal achievement is significant in Croatian business culture values. The level of control on the environment (external influence) is perceived as low in contrast to the relative importance of the future (Goić and Bilić, 2008). Croatia, in this study, exhibited a mix of Central European, Mediterranean and Dinaric influences. Of course, as Rose (2012) has pointed out recently, the lack of comparative studies over time limits the conclusions which can be drawn from this literature. The development of both social capital and of informal institutions, which she sees as crucial to business culture, is very much influenced by contemporary political economies in the context of war, transition and uncertainty.

The relationship between business culture and the development of entrepreneurship is strong even if highly mediated. The business sector in Croatia has itself identified negative perceptions on entrepreneurship and an unfavorable business climate as an obstacle to entrepreneurial activity. The Croatian Employers' Association (HUP, 2011) presented the results of their public survey according to which 44 percent of respondents have negative perceptions of entrepreneurs, and only 25 percent have a positive opinion of them. The business sector has called for priority measures to change attitudes towards entrepreneurship and to enhance a more favorable business climate, reforms of institutions and cooperation with the government.<sup>5</sup>

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4 Bosnia and Herzegovina, Croatia, Montenegro, Russia, Serbia, Slovenia, Turkey.

5 <http://www.nacional.hr/clanak/130023/vlada-i-drustvo-moraju-promijeniti-stav-prema-poduzetnicima>.



Social and cultural norms that determine the business environment and individual behavior in Croatia are lagging behind other countries with a more developed entrepreneurial activity (Singer et al., 2012). The results of the Global Entrepreneurship Monitor show that from 2002 onwards, Croatia fairs poorly, compared to other countries on three measured parameters: cultural and social norms, image of the entrepreneurs in the society and attitudes towards women in entrepreneurship (Singer et al., 2012: 86-87).

The perceptions of the business culture at the *micro-* and *meso-level* explored in our business survey might be examined in the wider context of entrepreneurship development in Croatia. Because of the low level of entrepreneurial activity in Croatia,<sup>6</sup> researchers and practitioners have identified obstacles to entrepreneurship development (see for example Šošić, 2012; Bičanić, Franičević and Šošić, 2008). Besides the “purely” economic factors, social and institutional variables are increasingly being introduced into the analysis to better understand the complexity of the issue. Čengić (2012) explored the personal characteristics of managers and whether they are related to company success and Franičević (2002) focused on the importance of moral capital. More studies on social and cultural values have been conducted on the *macro-level*. Rimac and Štulhofer (2004) explored the national set of values in the comparative empirical analysis of social values in Croatia and the EU. Rose (2012) noted the prevalence of collectivist over individualist values and high risk avoidance hampering entrepreneurial development, as well as low levels of “generalised trust”. As interdisciplinary studies on Croatian entrepreneurship and economic development in general are becoming available (as published in Čengić, 2005 and 2006), research on business culture could add value to the kindred research.

One could also analyze business culture in the institutional context. The institutional environment helps to determine the framework for doing business, and influences the entrepreneurial behavior (Welter and Smallbone, 2011). Institutional uncertainty in transition countries is generally seen as one of

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<sup>6</sup> See for example the recent facts on SMEs in Croatia in European Commission (2012), OECD (2012) and World Bank (2013).

the major obstacles to doing business. Behavior is driven by culture and by institutions where shared values facilitate trust (Dietz, Gillespie and Chao, 2010). Interorganizational trust varies in different cultural and institutional environments (Bachmann, 2010), and in return, the institutional context is important for entrepreneurship (Welter and Smallbone, 2011). Informal institutions such as the unwritten rules used by public officials to grant business permits might influence business procedures as well as impact broader entrepreneurial activity (Welter and Smallbone, 2003). Culture plays a significant role in the ethical reasoning and ethical attitudes of a person (Abratt, Nel and Higgs, 1992; Jackson, 2001; Whipple and Swords, 1992). Shared values embedded in one culture facilitate general trust in institutions and interorganizational trust (Bachmann, 2010). The higher the level of trust, the lower the risks for entrepreneurial activities (Welter, 2012). Belonging to one cultural group means sharing common informal norms (North, 1990) that may significantly lower transaction costs for entrepreneurs (Frederking, 2004).

Modelling business culture according to the above described methodology includes examining the relationship towards employees, attitudes to authority, ways of thinking and learning, attitudes to people, and managing change. These were the supposed areas of business culture assessed in our survey in Croatia. The survey methodology and tools are described in the next section.

## 4 Survey Methodology and Data

The survey on business culture in Croatia was conducted in February 2012 on two groups of respondents, citizens and businesses, on the territory of the Republic of Croatia. For the first group, a target sample included 600 adult citizens (15 years and older). The nationally representative sample was made on a two-way stratification by 6 regions and 4 types of settlements by size, according to the 2001 Census (total population of 4.4 million).<sup>7</sup> Regions that were formed

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<sup>7</sup> Results from the Census conducted in April 2011 were still not available.

by grouping counties (administrative entities) represent the territorial entity from a geographical and historical point of view. Four types of settlements differ according to size and correspond to the local administrative system in Croatia. Settlements of up to 10,000 inhabitants have the status of municipality, and settlements above 10,000 inhabitants have a status of a town. The sample allocated to each stratum is proportional to the population living in each stratum. The telephone survey for citizens was conducted by Consumer Hrcatibus and the total number of respondents is 636. The summary statistics of sampled citizens is provided in the Appendix.

Business entities were also surveyed by telephone using B2B Hrcatibus. The target population was 400 businesses registered in Croatia and the total number of respondents is 401. The sample is representative according to five economic sectors (manufacturing, construction, hotels and restaurants, wholesale and retail trade, transportation and other services) and three sizes of companies: small (up to 50 employees), medium (from 51 to 500 employees) and large (over 500 employees). The details on the business sample are provided in the Appendix.

The survey tool was developed by the agency in two versions. The questionnaire for citizens differs slightly from the questionnaire for companies. Since the agency that conducted the survey supplied us with the original database, we were able to extract the comparable items from the two questionnaires. We used the selected data to assess the business culture in Croatia, as seen by citizens and by businesses. The results of the analysis of this rather large database are presented in the next section. The data were analyzed using the methods of descriptive statistics (frequency distribution, mean) and inferential statistics (two sample z-test and two sample t-test).<sup>8</sup>

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<sup>8</sup> Data analysis was conducted with software package Statistica 6.1.

## 5 Results

In order to assess what the notion of business culture means to the Croatian public and business sector, each of the two respondent groups was asked an open question: "According to your opinion, business culture is: ...". The answers provided were grouped in 16 elements (Table 1).

*Table 1: Elements of Business Culture*

	Citizens (in %)	Companies (in %)
Nice and kind behavior/manners	23.0	8.0***
Ethics/ morality/integrity	19.8	10.7***
Meeting deadlines, contract terms and obligations	13.7	32.2***
Timely payments	10.4	29.9***
Human relations among colleagues	9.0	3.0***
Good communication, consensus	7.1	6.7
Customer/client relations	7.1	11.7***
Attitudes towards work, professionalism	6.8	6.2
Correctness in doing business	5.7	11.7***
Relations with employees	5.4	1.5***
Fair relationships	4.4	11.0***
Professional knowledge/competence	3.9	1.5**
Quality assurance, reliability	3.6	7.5**
Respect	3.1	2.0
Responsibility	3.0	1.5
Regular and timely salaries	2.7	1.0*
There is no business culture	1.3	0.0**
Something else	3.8	4.2
Don't know, no answer	12.7	5.2***

Notes: \* z-test significant at  $p < 0.1$  level; \*\* z-test significant at  $p < 0.05$  level; \*\*\* z-test significant at  $p < 0.01$  level; multiple answers possible.

In the next step, the most cited elements of business culture (at least 10 percent of respondents' opinions) were used to construct the definition of business culture. According to public opinion, the developed business culture includes nice behavior and strong ethics in doing business, where professional integrity includes, above all, fulfillment of contracts and other obligations, in particular timely payments. From the business point of view, business culture is achieved

by correctness in doing business including fulfillment of contracts, timely payments and other obligations, building fair relationships with customers and maintaining the high standards of ethics and professional integrity.

The definitions provided by the Croatian public and businesses match closely, except regarding nice manners and kind behavior that is from the point of view of the Croatian public considered the most important attribute of business culture. Furthermore, both citizens and companies were asked to select activities that companies should undertake to build business culture. Businesses and the public in Croatia mostly agree on the importance of the listed activities (Table 2). Timely fulfillment of obligations to suppliers is somewhat more important to companies, while measuring the level of suppliers' satisfaction is more important to citizens. A well-defined job description is more important to citizens, probably because they give answers from the point of view of potential employees.

**Table 2:** *Activities Leading to Excellence in Business Culture*

<b>Activity is important to achieve excellence in business culture</b>	<b>Citizens (in %)</b>	<b>Companies (in %)</b>
Fulfilling obligations to the state	98.9	98.3
Timely fulfillment of obligations to suppliers	97.5	99.8**
Measuring the level of satisfaction of customers	96.4	96.8
Well-defined job description	93.6	84.0**
Measuring the level of satisfaction of suppliers	92.6	89.0*
Monitoring the fluctuation of customers	91.7	89.3

Note: \* z-test significant at  $p < 0.05$  level; \*\* z-test significant at  $p < 0.01$  level; multiple answers possible.

Citizens and companies were also asked to evaluate three different aspects of the business environment in Croatia. The set of identical questions posed to both groups of respondents and corresponding rates are presented in Table 3. All aspects are rated rather weak by citizens as well as by the companies surveyed. However, companies see the business environment slightly better than the Croatian public. The relations companies in Croatia maintain with their employees respecting the norms of professional behavior are rated higher by the business sector itself at

the significance level of 10 percent, while the positive difference in rating social responsibility of the companies is less significant.

**Table 3:** *Ratings of the Business Environment in Croatia*

	Citizens (mean)	Companies (mean)
How would you rate the relations that companies in Croatia maintain with their employees <sup>1</sup>	2.2	2.7**
According to your opinion how much are the norms of professional behavior in doing business respected by the companies in Croatia <sup>2</sup>	2.6	2.8**
According to your opinion, to what extent do companies in Croatia act socially responsibly <sup>3</sup>	2.5	2.6*

Note: <sup>1</sup> 5 point scale with 1 = very bad, 5 = excellent; <sup>2</sup> 5 point scale with 1 = completely disregarded, 5 = fully respected; <sup>3</sup> 5 point scale with 1 = not at all, 5 = yes completely; \* t-test significant at p<0.05 level; \*\* t-test significant at p<0.01 level.

After the comparative analysis of the questions and answers commonly given by citizens and companies, the following analysis investigates in detail various components of business culture. Companies were asked to rate how important some components are in building business culture, what is the perceived situation in the Croatian business sector like (how others perform) and how do they rate their company's own performance in this respect. All rating scores in the survey were set on a scale from 1-the worst score to 5-the best score.

**Table 4:** *General Importance of Relationships and Attitudes in Building Business Culture - Business Perspective*

Relations and attitudes (n=401)	Mean (1-not important to 5-very important)
Relationship with clients/customers	4.9
Relationships with employees	4.8
Attitudes towards social values and ethics	4.7
Attitudes towards profession	4.7
Relationship with suppliers	4.6

As expected, the most important relational aspect of business culture for Croatian companies (Table 4) is the relationship with clients/customers (mean value 4.9).

Each element of business culture is analyzed separately and compared from the point of view of companies and citizens. Companies are still satisfied with their own customer relationship (mean value 4). However, this high rating is not reciprocal because half of the citizens think companies' relations with clients in Croatia are modest (evaluated as "good"), and 35 percent would rate them as bad (mean value 2.6).

In line with the attributed importance of good relations with suppliers, a particular company would rate its own relations with suppliers as above average (mean value 4). Companies also see that they maintain better relations with suppliers compared to how the suppliers treat them. Croatian companies generally consider themselves as performing better compared to the rest of the business sector and significantly better when compared to the point of view of citizens. Citizens would rate the quality of relations Croatian companies have with their suppliers as bad (mean value 2.5).

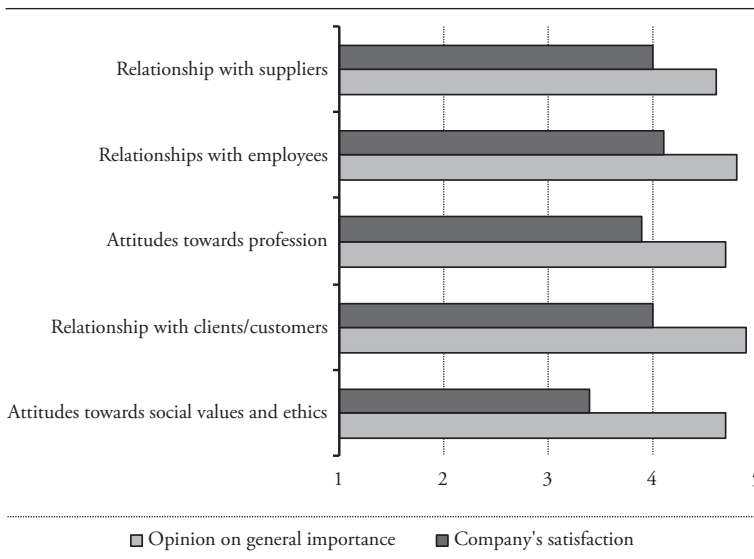
In keeping with the high importance attributed to the relationship with clients/customers, in self-assessment questions (Table 5) the companies are slightly less satisfied with their own customer relationship (mean value 4). However, this high rating is not reciprocal because half of the citizens think companies' relations with clients in Croatia are modest (evaluated as "good"), and 35 percent would rate them as bad (mean value 2.6).

**Table 5:** *Satisfaction with Relationships and Attitudes Developed Within a Company - a Company Perspective*

Relations and attitudes (n=401)	Mean (1-not satisfied at all to 5-extremely satisfied)
Relationships with employees	4.1
Relationship with clients/customers	4.0
Relationship with suppliers	4.0
Attitudes towards profession	3.9
Attitudes towards social values and ethics	3.4

Identified areas of improving components of business culture are evident from Figure 1. The largest gap between a company's achievements and attributed importance is evidenced in the attitudes toward social values and ethics. The next largest discrepancy is noticed between the general importance of good relationships with customers and lower satisfaction with a company's customer relations quality.

**Figure 1:** Comparison of Business Opinions on How Important Selected Components of Business Culture are vs. How a Particular Company is Satisfied with Achieving Them



Note: Scores on the scale 1-not important/not satisfied at all to 5-very important/extremely satisfied.

There is an interesting difference in opinion considering the companies' relationship with their employees. In general, companies perceive that building good relationships with employees is a very important component of business culture (mean value 4.8), but on average companies are less satisfied with the relationships they have with their own employees (mean value 4.1). However, companies consider they are performing much better when compared to perceived



bad relationships that other companies in Croatia have with their employees (the mean value (2.2)). In the opinion of citizens, companies have not developed good relations with employees (mean value 2.7).

Positive attitudes towards the profession are important for business culture (mean value 4.7) and companies are aware that they should do better in this regard (mean score of satisfaction is 3.9). Business respondents perceive that other companies in Croatia have poor respect for professional standards (mean value 2.8). Public perceptions are even worse. Citizens consider that companies in Croatia mainly disregard professional rules and standards (mean value 2.6).

The areas of improving business culture from the side of the companies are illustrated in Figure 1. Regarding the citizens' view, 95 percent of respondents think that public awareness on business culture in Croatia should be raised. The state should take the main role in increasing business culture awareness (69 percent of respondents), followed by business people (53 percent of respondents). Activities in raising business culture awareness as suggested by the citizens are education (65 percent of respondents) and promoting one's own good practices. Citizens were very supportive regarding the initiative to introduce business culture into the formal education curriculum.

## 6 Conclusion

The survey on business culture conducted on a large sample of citizens and companies in Croatia collected public and business sector opinions on the meaning of business culture. The developed definitions of business culture correspond in terms of professional integrity, timely payments and fulfillment of other contractual obligations. However, for citizens the business culture primarily denotes kind and nice behavior and good manners. From the point of view of citizens, nice manners and kindness are the most important attributes of business culture, which is why companies should build on this segment of their brand's image in public.

Croatian companies generally consider themselves as performing better compared to the rest of the business sector. Self-assessment of business culture of the surveyed companies showed significantly better results compared to their performance from the point of view of citizens. Results indicate weak public perceptions of the way companies in Croatia treat their employees and customers. In this respect, the unfavorable general public opinion should raise companies' concerns because citizens surveyed are their potential clients and customers and one of their key stakeholders providing or withholding their "licence to operate".

Due to the current prolonged economic crisis in Croatia, businesses face problems of liquidity and paying taxes to the state, invoices to suppliers, employees' salaries, financial and other contractual obligations in due time. This might explain the high importance assigned by citizens and companies to these components of business culture, expressing their practical day-to-day concerns and problems. In other words, while companies' focused on practical concerns, citizens were focused on a more general picture and on broad, ethical considerations.

There is some support in our study for the idea that path-dependent factors explain perceptions and attitudes towards business culture. It remains for future studies to extend the assessment of the business culture in Croatia by including institutional variables in the model, such as Croatia's position as a transitional country, its accession to the EU, and relations with its neighbors.

One general conclusion is that there is a need for more studies using similar methodology, which trace changes in the attitudes and values of businesses and citizens both over time, and in comparison with a larger set of neighboring and comparator countries. Any change or lack of change over time could then be explored using a more dynamic model. In addition, larger samples may allow for a disaggregation of both "companies", looking at the significance of different sizes and types of ownership, as well as of different "citizens", by age, education, region, employment, and so on, allowing for a clearer targeting of messages for

any advocacy and information campaigns which could improve the image of businesses among the key stakeholders.

Even in the context of the fact that much more research is needed, this study contributes to the understanding of business culture in Croatia. It provides solid background to continue the research by a more detailed self-assessment of companies in Croatia. We believe studies in business, marketing, entrepreneurship development, business ethics and others could benefit from using our results in deepening research knowledge in their respective fields. Further research will allow for the development of more specific policy recommendations for Croatian companies to improve their business culture. However, the directions for the government and other policy-makers are already clearly formulated by our findings. The Croatian public is expecting the government to take a more proactive role and act to promote higher business culture standards.

The policy implications of the study are, in a sense, limited in the context of the need for more research. There is clearly a need to strengthen the image of businesses among ordinary citizens, largely focused on issues which are of principal concern to them, as citizens, voters, and consumers. In this sense, additional efforts to present models of good practice, ethical behavior, and companies which have a track record of putting into practice their ethical claims is certainly needed. Beyond this, closing the gap between business' and citizens' views requires a long-term effort, including education, with a significant role for the mass media. More connection between work which assesses attitudes towards business culture and barriers to entrepreneurship may also serve to narrow the gap, with significant benefits for the future.

## Appendix

*Table A1: Summary Statistics of Sampled Citizens, n=636*

<b>Respondent profile</b>	<b>Sample, in %</b>
1 Gender	
1.1 Male	33.6
1.2 Female	66.4
2 Age (years)	
2.1 15-24	8.2
2.2 25-34	11.2
2.3 35-44	13.7
2.4 45-54	17.9
2.5 55-64	27.8
2.6 Over 65	21.2
3 Region	
3.1 Zagreb	25.9
3.2 North Croatia	16.5
3.3 Slavonia	17.6
3.4 Lika, Kordun, Banovina	9.0
3.5 Dalmatia	11.3
4 Educational level	
4.1 Primary school or less	14.1
4.2 Secondary school	55.3
4.3 University and higher education	30.5
5 Average personal net monthly income (HRK*)	
5.1 Up to 2,000	17.9
5.2 2,001 – 3,500	20.8
5.3 3,501 – 5,000	18.6
5.4 5,001 – 6,500	8.8
5.5 Over 6,500	9.9
5.6 No personal income	14.8
5.7 No answer	9.3
6 Employment status	
6.1 Employed	35.8
6.2 Unemployed	14.8
6.3 Retired	39.0
6.4 Student	6.4
6.5 Homemaker	2.8
6.6 No answer	1.1

Note: \* Average net salary in February 2012 in Croatia was HRK 5,363 (Central Bureau of Statistics, <http://www.dzs.hr>).  
 1 EUR = 7.45 HRK (The Croatian National Bank, <http://www.hnb.hr>).

**Table A2:** Summary Statistics of Sampled Businesses, n=401

Company profile	Sample, in %
1 Activity	
1.1 Manufacturing	18.5
1.2 Construction	9.7
1.3 Hotels and restaurants	7.0
1.4 Wholesale and retail trade	28.4
1.5 Transportation and other services	36.4
2 Size	
2.1 Up to 50 employees	94.0
2.2 51-500 employees	5.5
2.3 Over 500 employees	0.5

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