

**SOME REMARKS REGARDIN "THE MARKETIZATION"
PROCESS IN TRANSITION ECONOMIES
(THE CASE OF BULGARIA)**

UDC 339.9.042:658.8(497.2-664)

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Abstract. *After the 90^s, making a unique turnaround, the Eastern European countries oriented themselves again toward the values of market civilization and economy. Doing so they used different approaches and developed strategy for transition to market economy. Anyway, consciously or not, they had to develop a new process – "the marketization" of the economy. Different models conceptualizing this process appeared. Many of them were presented and used rather mosaic than systematic. "The marketization" process and the marketing development of business organizations are treated in the paper as necessary conditions for entering the 21st century. The accent is also put on the importance of the marketing institution and marketing specialists seen as a starting point for the development of support system of business organization marketing function and marketing behavior.*

1. THE CONCEPT OF NON-MARKET ORIENTED COUNTRIES "MARKETIZATION"

Years after the turnover in 1989, the lack of conceptual work for management of "marketization" process in Bulgarian society was obvious. In the country we failed to follow the holistic model that facilitates the transition from non-market to market economy, which follows the chain: **Creation of National "marketization" model → Elaboration of "Marketization" strategy → Implementation of Strategic plan for "marketization"**.

Bulgarian economists had to adapt themselves to the requirements of the modern management, to elaborate and implement non-standard strategies to overcome the illogical, even anti-market management philosophy. They had to start a search for new development perspectives and trajectories leading toward real market economy.

It is well known that the reforming and restructuring of the societies of Central and Eastern Europe needed (and also need) fundamental changes. Although the changes do

not necessarily imply total destruction of large social networks, relations, that phenomenon happened in the beginning of the 90^s in Bulgaria. The objects of planned liquidation were whole organizations, technologies, structures of personnel and production, etc. Due to these misgivings of the reasons the process surmounted the critical threshold in the system proportion '*chaos - order*'. In principle the liquidation of concrete social and economic structures requires their replacement with new ones. But to do so, one has to understand even the theory of the liquidation, which also has scientific approaches, proper technologies and specialists. Without these preconditions the liquidation process is chaotic and its future (negative) consequences are enormous. The process of insane destruction of productive structures which happened in Bulgaria in the beginning of the 90^s also formed people with the liquidation's consciousness. Even more, the enthusiasm to destroy (especially in agriculture) formed "**terminators**" and "**destructor**".

Also in the beginning of the 90^s in Bulgaria the balance changed between the creators and liquidators, between the **creators of the order** and the **creators of the chaos**. The fast and multiform change has both positive and negative effects. Not only the plan was forcefully abandoned, but and the programming principle of management as well, which was not a well considered action. By that time there were no visions about the right profile of the market system, no new development model outlines, and no long-term development strategies for smooth transition toward market economy conceptualized. The lack of strategic thinking and vision about the future of the economy increased the chaos, led to enormous inflation, destroyed business relations, decreased the production level, created mass unemployment and low living standards.

The fast rejection of the centralism as a spontaneous reaction was not an entirely justified action because in this period the following has not been elaborated:

- vision of the future state of the society system;
- the outlines of a general economic model;
- long term developmental program for moderate transition toward market economy.

The lack of strategic thinking and vision about the future model of the economy's "marketization" for the next 5-10-15 years helped the fast increase of chaos. The programmed adjustments' method was replaced by the improvisational ad hoc technique that is harmful in many cases for the stable development of the society's strategic structures. Another factor, which affected the chaotic change, was the fast and not motivated replacement of managers. The new (transitional) managers were not always prepared to fit the requirements of the time.

The plan for the development of the real and objective "marketization" process, which was expected to form and to improve the economy, was introduced in the second half of the 90^s. "The marketization" process was expected to create an optimal market climate and to stimulate the market development on all levels of the macro social system - society as a whole; the economic system itself; the economic sectors (branches) and the business organizations in every branch.

Non-synchronized and non-parallel development of those levels had its negative imprint on the whole "marketization" process.

The management of "the marketization" process is of utmost importance for the countries in which the market development was drastically stopped for more than half a century. Now they face the same problem – to create and to develop a "functioning market

economy". This is especially applicable for those, which have to reach the standards for becoming a fully-fledge member of the Economic Union – once again the case of Bulgaria.

"The marketization" process affects all levels of the economy – national economy as a whole, the branches and the business organizations. There is a feed back and dual connection between the processes of "the marketization" of the economy as a whole and "the marketization" of the business organizations.

The basic idea is that the optimal profile of the national market is the result of trained "marketization" process. From the other hand, the determinate profile's development will 'push' "the marketization". The aims of the latter are continuing optimisation of markets' superstructure, structures, infrastructure. "The marketization" process on those levels is interconnected and interdependent. On the basis of a structural market model, the appropriate national economy actions for comprehensive superstructure, structures, infrastructure plan development could be outlined for certain types. For this, the following figure could be used:

The conceptual model for "marketization" management could also be presented as a network. Some of its components (knots) are as follows:

- * **goals**;
- * **forces that support (and/or hamper) its development**;
- * **the process of forming specialists in marketing activities (marketers)**;
- * **marketing culture development process**;
- * **plans for "marketization"**;
- * **marketing institution build-in**;
- * **others**.

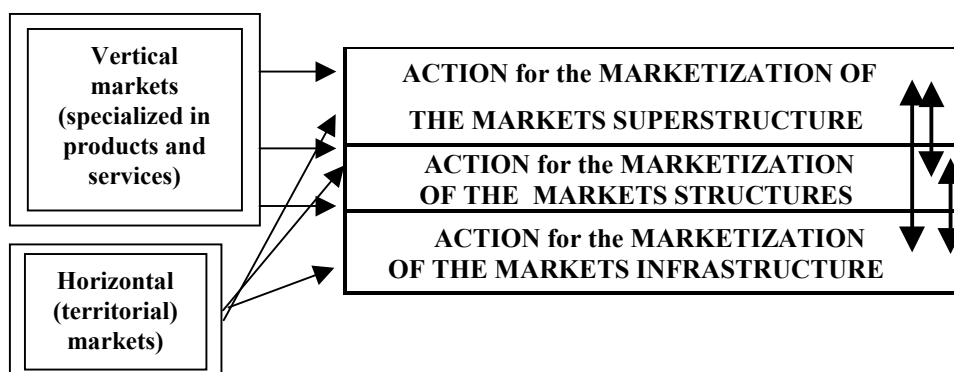


Fig. 1. The model serves as a tool for delineating strategic trajectories.

The analysis of optimally developed market economies shows that "the marketization" process is evolutionary, gradual, accompanied by deliberate creation of institutions, which as a whole contribute to its next stages' development.

In any case, "the marketization" managed in certain limits "marketization" is a tool for opposing to the so called 'savage' liberalism – a process which unfortunately took place in some of the countries on their way to market economy transition, including also Bulgaria.

It is well known that the organizations as entities are chaotic, unpredictable. As a principle, the mechanisms of adaptability are chaotic (1). In some periods of their life they lose the sense of direction. The opposite process in times of transition is the search of new perspectives, using the practice of the modern management, elaborating and implementa-

tion of non standard strategies. An organization which has lost its business perspective due to the influence of internal and external factors described above, could face two situations - to be in situation to look for new development perspectives and trajectories; or to wait for the unknown to come, to wander around and to let the chaos to increase.

"The marketization" process is a permanent strategic goal of every business system (organization). "The marketization" process makes the firm market oriented and as a consequence - market driven. For example, a market oriented business organizations suffer from the backwardness of a certain market (markets) development. Those markets do not appreciate the organizational efforts for improving products' quality, for investing money in advertising and for original sales promotions. In most of the cases at the end of the day, these results decrease the organization standards and deform its motivation and even culture. Or, one highly developed, proactive, market-oriented firm fails to flourish in a low developed market environment. The markets are not a driving force for its development.

On the other hand, the highly organized (well structured) market stimulates and motivates the business organization's management institution to formulate competitive and customer strategies, to invest in image, to pursue excellence in products, services etc.

"The marketization" process facilitates the creation of proactive business organizations – with entrepreneur spirit, anticipating the influence of diverse external and internal forces and simultaneously reacting to internal and external changes.

In the business organization "the marketization" is a process with different duration and scale. It is the tool for building-up and development of its marketing function and then – marketing institution.

The evolution of the business organization affected by the mercerisation go trough certain stages (states) such as:

1. Transforming the so called "socialist" production system into business organization (a formal juridical act).
2. Gradually forming of a market-oriented business organization.
3. Before those moves or parallel with them – the development of different marketing activities which form the marketing mix of utmost importance.
4. Forming of the firms' marketing institution (network).
5. Management of the functioning and supervising development of the business organization's marketing institution.

The firm's (business organization's) "marketization" process includes transforming of the management; sharing the philosophy of marketing excellence (not only more and more but better and better). It creates the marketing institution and aftermath a marketing network which have to integrate all activities related to the organization's markets.

The business organization's "marketization" develops and is developed by the marketing management which has to cover a broad area inside and outside the firm. It is shown in figure 2.

The marketing management covers not only the markets of the business organization, but also the development of firm's marketing institution (network); and the process of marketing strategy formulation and implementation. The creation of the firm's marketing institution requires invariant and variant components. In the former we include: the goals of the firm marketing function; the concrete activities (routine and specific); the docu-

ments which have to be prepared for the management of the marketing function (marketing analyses, strategies programmes, plans, budgets etc.); marketing specialists etc.

"The marketization" process also needs a good logistics – inside and outside the business organization. It includes different components which as a whole make the business organization working entities.

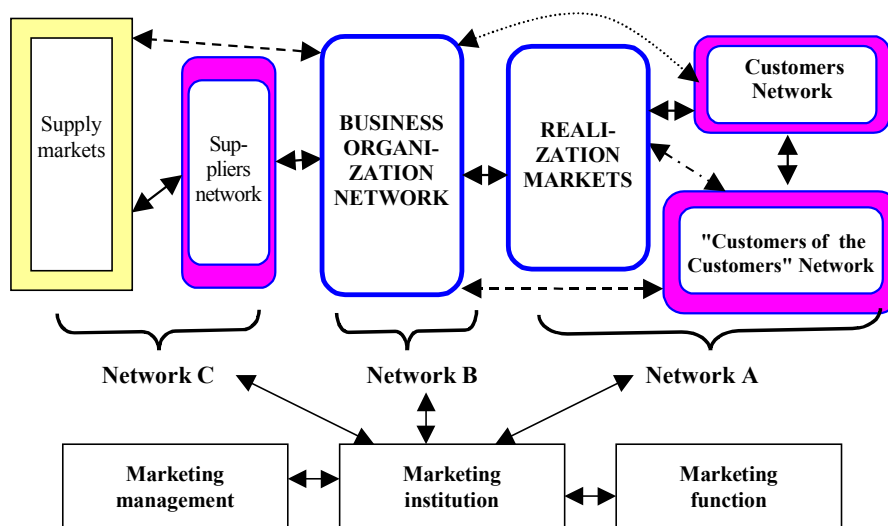


Fig. 2.

2. "MARKETIZATION": THE CASE OF BULGARIA

In order to determine the state of "marketization" of the Bulgarian business organizations, we undertook a study. The thematic goal of the study was to define the degree of development of the process of business-organizational "marketization". In particular we asked questions such as: have marketing departments been created as a precondition for the performing the marketing function? How the degree of their current development is to be evaluated? What marketing activities are being promoted in the studied Bulgarian organizations and how are they performed by the marketing specialists? What kind of people are those who manage the marketing activities in the Bulgarian firms? How many organizations have appointed marketing managers? What is the level of the marketing culture in the business organizations; the relation between the marketing (sales) department and the planning department etc (2, pp.140-172).

The results from the study of the institutional marketing development of the Bulgarian business organization showed that in 38,2% out of the 442 studied firms a separate marketing department (section, institution) (3, pp. 34-35) was established. We bear in mind that a study, made in 523 Bulgarian business organizations in 1993, pointed out that 26.4% out of the respondents stated that they are having a marketing department. These business organizations realize a part of the integrated marketing activities of the marketing chain (supply-production-sales).

The data from the study also indicated that the business organizations object of this study had not yet reached the culmination point of their marketing development. Only 10.49 % out of them possess a well-developed marketing institution, which is functioning normally, and have developed a proper marketing structure (including goals, marketing activities, specialists in marketing and marketing documents). The marketing departments are in a phase of development, in which initially the bilateral relation "consumer-producer" is being established. By the analysis of the results of the investigated combination of business organizations the following three basic groups have been outlined:

I Group – firms which created a marketing department, which, however, don't cover the frame of requirements (some activities are missing). They hire highly educated specialists (marketing profile) - (31%).

II Group – firms which do not have a department, but they dispose with highly educated specialists - (37%).

III Group – firms, which do not have marketing departments and don't dispose with proper specialists - (32%).

The concrete conclusions from the study of the state of building-up of the marketing institution of the business organizations indicate the following: In 169 (38.2%) out of the investigated 442 business organizations, there is a functioning marketing structure. In most of the business organizations (24.65%) the development of the marketing institution is in its initial stage and only some of the necessary marketing activities are being performed – namely advertising, research and pricing, and some others.

In the large business organizations the marketing department, practically non-existing till the middle of the 90^s, concentrates a complex of marketing activities. It is multifunctionally specialized.

The demand for the marketing specialists is directly related to their skills and concrete profile. The selection is becoming more and more precise. The qualities required are professional knowledge, being trained in the spirit of the new time, with the sense of future. The marketing manager is seen as a key player in the business organization's development.

The most active players of the marketing specialists market are the foreign firms which use well elaborated mechanisms. Their management headquarters in Bulgaria recruit marketers for different regions and towns to make their own way to local markets.

The Bulgarian business organizations are becoming aware of marketing orientation and adaptation. A large part of them - object of the study presented here (66,05%) - are flexible to the market changes, to the evolution of the customer needs, and on that basis they organize their product portfolio and production process.

The marketing culture is developed in different degrees in separate groups of firms, but the important thing is, that in many of them marketing thinking is demonstrated. In some of the cases the standardization of the marketing departments is dominant feature of Bulgarian business organizations. The standard models are transferred and multiplied. In other cases they differentiated from organization to organization; from marketing network to marketing network; from market to market, creating competitive advantages for some of them.

The process of creating marketing institution started in Bulgaria and it is expected – if well directed - to form open inward and outward marketing networks. "The marketization" process in this country is in the middle of its first stage of development – just doing

some of the marketing activities and creating formal marketing institution. The business organizations have different achievements in their marketing development, but they aim to become market-oriented and marketing driven business systems. A great part of them are in situation of creating market oriented structures (**first stage or wave of "marketization"**) They institutionalize marketing departments and recruit marketing specialists for current affairs. Only a part of them need (and demand) specialists for taking and for holding positions in future markets, for preparation to act in new markets (**the second stage – or wave - of "marketization"**). The share of the business organizations with developed marketing institutions (network) doing prospective marketing and which successfully operate on the markets is still modest. Or, just started to develop, "the marketization" process in many of the cases has not reached a critical mass, namely to be a synergetic combination of components of the marketing institution plus marketing specialists, who and which as a whole create **the marketing force** of the business systems.

More and more Bulgarian business organizations are preoccupied with the creating of the internal and external structures and preconditions for business organizations' development (first kind of marketing development in transition economies). Only some business organizations are involved in marketing development of the second kind - optimizing the marketing structures already created, increasing trough cohesion (synergy) the marketing force of the business organization as a whole.

The transition to real market economy process vary – from deliberate approach (on the basis of models for modern marketing organization) to spontaneous and ill-controlled actions. The process of "marketization" developed is either preliminary well conceptualized; or meandering, or following the classic principle "laissez faire, laissez passez". Respecting only the latter principle, in Bulgaria is prolonging its way to real marketing economy.

The general conclusion regarding the marketing management development in the period 1993 – 1999 is that the Bulgarian business organizations went trough several stages:

I stage – the firm is "doing" marketing in the environment of centrally planned economy. The firm is entirely dependent on the state – the state determine its input and output. The management is focused on the production process and the attention is paid to the fulfillment of the central plans quotas. The management is practiced partially, the accent is put on the internal efficiency; without the support to the marketing function.

II stage - coincides with the transition to market economy (the start of creating of the market structures). For a part of the firms, the state intervention is limited; new business organizations are appearing – with foreign participation competitiveness is taking place (3, pp.34-35).¹ Only in certain proactive firms the market orientation is visible, their management demonstrates market thinking; they started to formulate intelligent market strategies for the existing and new markets. The firms recruit marketing specialists, institutionalize the marketing function (marketing departments). In spite of this action, the marketing function/institution faces serious resistance; it feels the opposition of other

¹ A comparative study between Hungary, Poland and Bulgaria for the period 1990 - 1992 concluded that important market orientation indicators have the following importance for the respondents: a) competitive pricing – Hungary (52,7 %), Poland (32,6 %) and Bulgaria (21,6 %); b) product quality - Hungary (44,6 %), Poland (30,8 %) and Bulgaria (13,8 %); c) company/brand reputation - Hungary (10,3 %), Poland (22,1 %) and Bulgaria (11,7 %)M.

departments. The marketing institution does not participate in resolving the production problems. Only one fourth of the existing firms have teams for finding out future market opportunities.

And in conclusion it has to be stated, that the powerful competition, the changing demand and customer preferences impose new approach in firm management and in the marketing management. It marks the **III stage** of "the marketization" process of the firm.

From here on, the survival depends on their ability to create customer and partners' relationship. The market is becoming a strategic force for holistic firms' development. At that stage, the process of creating marketing network is a deliberate strategy which engages the efforts of the general, marketing and other types of business organizational management. Internal business organizational horizontal, vertical and diagonal sub-networks are integrated in a holistic and synergetic network. The latter uses knots in physical space and in the cyberspace. The new created (market oriented and market driven business organization) is the building block of the post-communist economy's transformation process.

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NEKI ASPEKTI PROCESA "MARKETIZACIJE" U PRIVREDAMA U TRANZICIJI

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Nakon 90-tih godina, zemlje Istočne Evrope su učinile revolucionarni zaokret orijentišući se ponovo na vrednosti tržišne civilizacije i privrede. Prelazak na tržišnu ekonomiju vršen je primenom različitih pristupa i strategija razvoja. U svakom slučaju, svesno ili ne, one su morale da razvijaju jedan novi proces - stvaranje tržišne privrede. Konceptualizacija ovog procesa vršena je kroz različite modele. Većina od njih je primenjivana više mozaično, umesto sistematično. Proces marketizacije i razvoj marketinga u organizacijama prikazani su u radu kao neophodni preduslov za ulazak u 21. vek. Takođe se naglašava i značaj marketing institucija i specijalista kao polaznih tačaka u razvoju sistema podrške marketing funkciji i marketing ponašanju organizacija kao kupaca.