

**UNDERSTANDING AND RESPONDING TO THE REGIONAL  
PERCEPTIONS OF THE GLOBAL ECONOMIC CRISIS: TOWARD '  
"LOW-TECH"  
KNOWLEDGE-BASED APPROACH<sup>1</sup>**

**Niksa ALFIREVIC**

University of Split, Croatia  
Faculty of Economics  
nalf@efst.hr

**Jurica PAVICIC**

University of Zagreb, Croatia  
Faculty of Economics and Business  
jpavicic@efzg.hr

**Kresimir ZNIDAR**

Valicon plc, Zagreb, Croatia  
kresimir.znidar@valicon.hr

***Abstract***

*In this paper, authors apply the 'sense-and-respond' model to understanding and modeling reactions of customers in the wider South-East European (SEE) region to the actual economic crisis. As results of the previous research indicate that the role of contemporary knowledge-based tools can serve as a complement, rather as a replacement for the 'traditional' research methodology, the role of universities and other knowledge providers to the business community in responding to the economic crisis is also critically examined. The paper suggests that development and the use of a modified 'sense-and-response' model at the industry/cluster level could assist all economic and social actors in relieving the consequences of the economic crisis/recession, as well as affirm the role of the university in the process<sup>2</sup>.*

**Key-words:** *model economic, financial assistance, economic crisis*

**JEL Classification:** O30, F01

**1. The 'sense-and-respond' model in the context of economic crises**

In their 1993 paper, published in Harvard Business Review, Haeckel and Nolan refer to the contemporary information & communication technologies (ICTs) as means of managing all kinds of organizations, by using the metaphor of

---

<sup>1</sup> Paper presented at the Annual International Conference in Economics, Informatics and Communications Field, *Spiru Haret* University, Campulung Muscel, 21-22 May 2010.

<sup>2</sup> Unity Through Knowledge Fund, Authors wish to express their gratitude to *The United Knowledge Fund*, Zagreb, Croatia for the financial assistance to research, provided through the project *Toward the knowledge-based development of the Alps-Adriatic region*. In addition, authors wish to acknowledge the helpful assistance of *Valicon plc* for granting access to research participants in Bosnia and Herzegovina, Croatia, Serbia and Slovenia.

the 'fly-by-wire' systems, used in the state-of-the-art fighter airplanes. Namely, provided that the amount of information and complexity of the environment are simply too overwhelming for the average pilot, the ICTs need to assume a proactive role, in order to keep the system stable. This implies that the aircraft's ICT systems are monitoring the selected flight parameters and other relevant aspects of the environment, in order to create the 'condensed virtual environment' by filtering out all insignificant information and emphasizing the critical determinants for the next decision to be made. Information system output is combined with the actual image of the environment and projected on the 'Head-Up-Displays', located in the pilot's helmet. His or her decisions, created by responding to the computer-generated information via so-called 'fly-by-wire' approach, are relayed to the lower-level/operational systems and executed<sup>3</sup>.

In a similar manner, the role of ICTs is conceptualized in terms of filtering information and providing the snapshot of relevant environmental trends to the decision-makers, being typically members of the top management team. In this context, different ICT tools and approaches are used, usually 'packaged' by using the comprehensive concepts of Business Intelligence (see, e.g. Howson, 2008), Customer Relationship Management (see, e.g. Payne, 2005), etc, while the data/information system output are delivered and displayed by employing customized corporate information portals and/or dashboards (see, e.g. Sullivan, 2003). Throughout the 1990s, the 'high tech' seemed to guarantee that the organizations will successfully adapt to the changing environment, although the 2001 stock crash of Internet-based firms ('dot-coms') started proving otherwise. In the after-2001 context, the high hopes of 1990s were, for the first time, challenged by the idea that the ICTs are no more than a widely available commodity, which does not provide strategic advantage over competition and should, therefore, be managed on the basis of cost efficiency (Carr, 2003).

As the global economic crisis, unprecedented since the Great Depression, raises once again the issue of organizational flexibility, the old 'sense-and-response' model needs to be adapted to the new realities. Special emphasis needs to be placed on the specific regional determinants, as it has been already discussed for the case of traditional marketing research tools/approaches, the regional/SEE actors seem to be adopting the trendy ideas from the more developed market economies with a certain lag, but often without a critical attitude (Pavicic, Alfirevic, Znidar & Soric Zelinscek, 2009). As the current theory seems to send 'mixed messages' even to the actors with a high degree of sophistication, a new and practical approach to understanding and responding to the customers in the context of economic crisis needs to be developed.

## **2. The 'low-tech' approach to sensing and responding to customers in economic crisis**

Considering that managing one's cost position and protecting the cash-flow sustainability is the 'absolute must' in times of crises (Rhodes & Stelter, 2009), it is essential that all new investments, especially those related to ICTs, are based on

---

<sup>3</sup> Authors have also consulted Haeckel (1999), as well as used their previous analysis, published in: Langer, Alfirevic and Pavicic (2005), pp. 174-181.

very simple and low-cost technologies/methods (cf. Upton & Staats, 2008). Provided that the consulting and other intellectual services associated with such investments could be also a source of unexpected costs, economic actors should consider networking with the universities and other regional research organizations, as suggested quite a few years ago by proponents of the 'industrial districts'/clusters' concept. According to M. E. Porter (1998), one of the leading authorities in the field of competitiveness, clusters are “geographic concentrations of interconnected companies and institutions in a particular field”, which encourage production of trust and lasting long-term relationships among the actors, located in geographically concentrated areas (cf. McNeill & While, 2001). Competitiveness of clusters can be explained in terms of locally embedded relationships, social capital and routines for dealing with complex issues, with all of these issues easily explicable from the knowledge-based point of view, by using the notion of tacit knowledge. This form of knowledge implies intuitive understanding of the environment and the practices which provide the best 'fit' with its inherent characteristics<sup>4</sup>. However, such a knowledge cannot be simply 'learned'/transferred, but rather internally absorbed (cf. Polanyi, 1967). From the geographical/regional perspective, such a knowledge needs to be acquired by active participation in social practices of actors belonging to a common cluster. If the competitive practices are considered to be a significant obstacle to creating a common knowledge base and sharing relevant insights, then the role of nonprofit/public organizations in providing relevant knowledge and examples of best practice is emphasized (cf. Wolfe & Gertler, 2004). University, viewed as a 'generic' social institution fits well into such a context, especially taking into the account the shrinking levels of public financial support for the higher education sector and other incentives for developing the concept of the entrepreneurial university (Rothaermel, Agung & Jiang, 2007).

Therefore, the universities, research institutes and other providers of knowledge services to the commercial sector should strive to provide simple and efficient tools for understanding customers and their behavior, especially in the specific circumstances, such as these implied by the global crisis. An illustrative example for such an approach, developed by the regional research agency Valicon, is provided in the following text.

### **3. Research methodology and preliminary results related to the regional customer behavior in economic crisis**

The following figure presents a simple methodology, used in developing the 'sense-and-respond' tool for detecting consumer attitudes toward economic crisis. It encompasses traditional techniques, such as group discussion, focus groups and individual interviews, which can, but do not need to be carried out on a representative respondent sample.

---

<sup>4</sup> The notion of 'fit' with the environment has been, traditionally, identified as one of the fundamental elements of the strategic success of an organization (see, e.g. Mintzberg, Ahlstrand & Lampel, 2001).

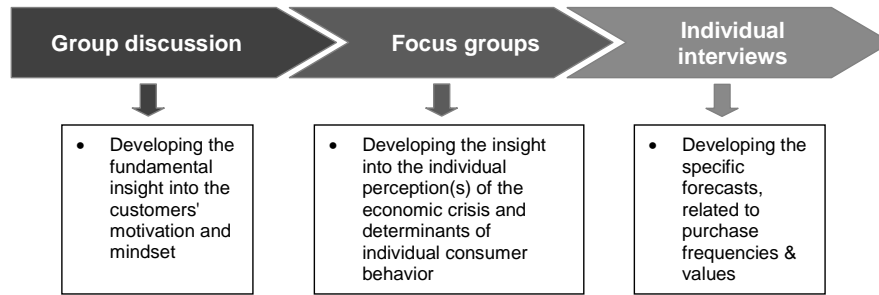
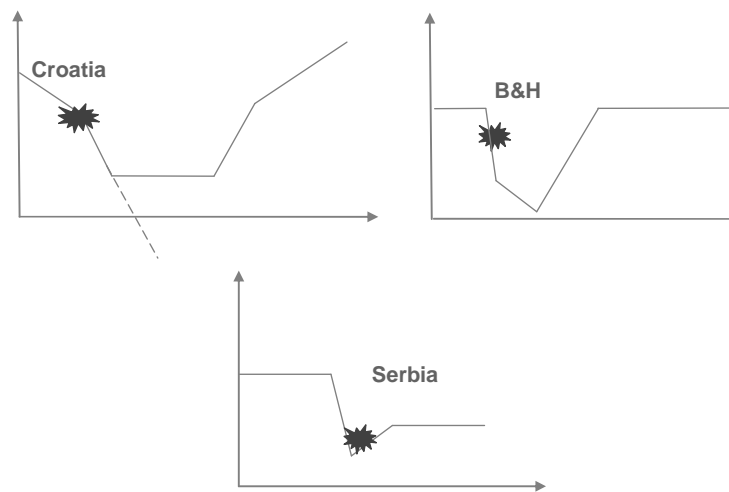


Fig. 1. *Research methodology*

Some preliminary results of the research project indicate that the regional consumers significantly differ in their perceptions of the economic recovery (as depicted by fig. 2), as well as in notions and social reactions associated with the idea of 'economic crisis', i.e. 'recession' (see table 1).



Source: Research results

Fig. 2. *Perceptions of economic recovery in the SEE region*

The public sentiment seems to be directed toward distrust to the elites, especially the political class throughout the region, except for some exceptions, such as the governor of the Croatian National Bank, Mr. Rohatinski, who is believed to be a person capable of designing relevant policy for alleviating the crisis. In addition, diminished expectations regarding the standard of living and future consumption patterns are also the common finding throughout the region. They are illustrated by the following table.

**Notions and social reactions associated with  
'economic crisis', i.e. 'recession'**

<b>Croatia</b>	<b>Slovenia</b>	<b>Serbia</b>	<b>Bosnia &amp; Herzegovina</b>
<b>Fear</b> related to the difficulties in fulfilling all needs. More stress, uncertainty, pessimism, etc. observable.	<b>Fear</b> related to the possible banking crisis, losing one's job, devaluation of stocks and inflation (higher prices), depression & aggression.	<b>Fear</b> related to future, especially for the younger generation. Questionable fulfillment of fundamental needs.	<b>Fear</b> related to fulfilling fundamental needs (survival) and falling into poverty. Stress, uncertainty and pessimism observable.
<b>Expectations</b> of more unemployment, higher prices & interest rates.	<b>Expectations</b> of higher prices & less money available.	<b>Expectations</b> of more unemployment and extreme difficulties in finding new jobs, higher prices, lower wages and unethical/illegal behavior.	<b>Expectations</b> of social injustice and possible social unrests.
<b>Behavioral changes:</b> saving instead of spending, less enjoyment in life.	<b>Behavioral changes:</b> savings, worrying for the children's future.	<b>Behavioral changes:</b> divided perceptions between the pessimists and optimists.	<b>Behavioral changes:</b> adapting to the new circumstances and ensuring survival.

*Source:* Research results

Due to the crisis and its perceptions, consumers are expected to spend more time at home, in their family settings and, consequently, and spend their limited budgets on purchasing basic foodstuffs, low-cost entertainment (including TV, some telecommunication services, etc.) and other items, considered to be absolutely necessary for meeting the fundamental needs. Dining out, tourism and purchases of high-price domestic items, cars, etc. will be postponed, along with other 'luxury goods'.

#### 4. Instead of a conclusion

In order to find the way out of the academic 'ivory tower', which has been considered the due social role of the universities in the SEE region for many decades, members of the academic community should deal with 'real', pressing issues in society and economy. This can be done along many different paths, especially by cooperating with the profit sector, as well as with the nonprofits (in the form of so-called service learning). In this paper, authors have presented a simple, 'low-tech' methodology for assessment of customer perceptions related to the current economic crisis. Its fundamental advantages are: (a) usage of traditional research methods, which can be applied without expensive consulting and/or other external knowledge-based business services, (b) low technological requirements and (c) practical applicability in a range of different industries and market settings. It has been created by a regional private research entity (Valicon), in cooperation with the members of the Croatian academic community and, as such, could represent an example of a good regional practice in the field.

#### REFERENCES

- Carr N. G.: IT Doesn't Matter, *Harvard Business Review*, May, 2003, pp. 3-10.
- Haeckel S. H.; Nolan, R. L.: Managing by Wire, *Harvard Business Review*, September-October 1993, pp. 122-132.
- Haeckel J.: *Adaptive Enterprise: Creating and Leading Sense-and-Respond Organizations*, Harvard Business School Press, Boston, 1999
- Howson C.: *Successful Business Intelligence: Secrets to Making BI a Killer App*, McGraw-Hill, New York, 2008
- Langer J.; Alfirevic N.; Pavicic J.: *Organizational Change in Transition Societies*, Ashgate, Aldershot, 2005
- McNeill D.; While A.: The New Urban Economies, in: Paddison, R. (Ed.): *Handbook of Urban Studies*, SAGE Publications, London, 2001
- Mintzberg H.; Ahlstrand B.; Lampel J.: *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management*, Prentice Hall Europe, Hemel Hempstead, 2001
- Payne A.: *Handbook of CRM: Achieving Excellence in Customer Management*, Butterworth-Heinemann, Oxford, 2005
- Pavicic J.; Alfirevic N.; Znidar K.; Soric Zelinscek A.: Knowledge-based approach to consumer insight: The case of CATI-based data collection in Croatia and discussion of its regional implications, *International Journal of Management Cases*, Vol. 11, No. 2, 2009, pp. 173-181.
- Polanyi M.: *The Tacit Dimension*, Anchor Books, Garden City, 1967
- Porter M. E.: Clusters and the New Economics of Competition, *Harvard Business Review*, November-December 1998, pp. 77-90.
- Rhodes D.; Stelter D.: Seize Advantage in a Downturn, *Harvard Business Review*, February 2009 (Reprint R0902C)

- Rothaermel F. T., Agung, S. D., Jiang, L. (2007): University entrepreneurship: a taxonomy of the literature, *Industrial and Corporate Change*, Vol. 16, No. 4, pp. 691-791.
- Sullivan D.: *Proven Portals: Best Practices for Planning, Designing, and Developing Enterprise Portals*, Addison Wesley, Reading, 2003
- Upton D. M.; Staats, B. R. (2008): Radically Simple IT, *Harvard Business Review*, March 2009, (Reprint R0803)
- Wolfe D.A.; Gertler, M.S.: Clusters from the Inside and Out: Local Dynamics and Global Linkages, *Urban Studies*, Vol. 41, No. 5-6, May 2004, pp. 1071-1093.