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Research of Possible Role of Urban Marketing in Attracting Foreign Direct Investment (FDI) in Cities of Bosnia and Herzegovina

Attracting foreign direct investment (FDI) is one of the primary objectives of today's regions and cities. The term FDI refers to almost all types of investments of foreign organisations or individuals into the economy of a given country. Developed countries have long recognised the potential benefits of FDI and they consider FDI to be an important channel of activating country's own investment potential indispensable for its economic development. Cities should also devise ways of attracting foreign direct investment within their development strategy by creating favourable business conditions that foreign investors will find attractive and stimulating. The intense global competition, particularly among world cities, and the competition for limited funds have boosted the interest in foreign direct investment as a very efficient tool used to improve the efficiency of local domestic companies, transfer the latest know-how and cutting-edge technology and new management techniques with the objective of increasing the economic competitiveness of local cities and keeping pace with other developed city economies. For the purpose of the present paper, we have developed a specific strategic concept geared towards improving marketing strategies and tools used in a more successful systematic attraction of foreign direct investment and securing growth and development of local communities in Bosnia and Herzegovina.

Key works: urban marketing, FDI- foreign direct investment, urban economy, promotion of a place

1. Introduction

U posljednjoj deceniji, osim ekonomskih, demografskih i urbanističkih promjena koje se odražavaju na ponašanje gradova kao lokalnih samouprava i centara privrednih i političkih procesa, izloženi smo i procesu globalizacije i ubrzanom procesu urbanizacije. Globalizacija sada obuhvaća i političke, i socijalne, i ekonomske, i geografske dimenzije. Svaki razvijeni gospodarski sustav mora računati s tim da ne može postojati kao jedinka bez odnosa s globalnim okruženjem. Svaki poticaj ili zastoj u poslovanju neke značajnije ekonomije, zbog procesa globalizacije privrede, može izazvati poticaje ili potrese u drugoj grani privrede. Proces globalizacije doveo je do povezivanja komercijalnih, tehnoloških, socijalnih i političkih struktura širom svijeta. U cijelom tom složenom procesu, svaki sudionik je važan jer je globalizacija omogućila da svaki, pa makar i mali lokalni sudionik, može sudjelovati i trgovati s privredom neke zemlje za koju i ne zna gdje se točno nalazi.

Globalisation, internationalisation and regionalisation of the entire world economy have made direct investment promotion very interesting for governments and city administrations. Direct foreign investment has become a part of clear city development strategy with all necessary requests fulfilled and with a clear local strategy of promoting and attracting investors. In this regard, marketing philosophy and marketing tools may be and are one of the fundamental backbones of efficient realisation of city development strategies. It is therefore indispensable, in addition to fulfilling fundamental preconditions, to use all available marketing tools (at both national and local levels) in order to achieve competitive advantages. According to the definition of the International Monetary Fund (Babić, Pufnik, Stučka, 2001) foreign direct investment (FDI) occurs when a non-resident investor owns 10 percent or more equity share of a resident's business entity¹. The main purpose of FDI is active participation of foreign investors in the process of company management, which makes it different from other types of inflow of foreign capital.

There are two categories of foreign direct investment (Julius, 1991), namely: 1) FDI that creates new production capacity is called "greenfield" investment and 2) Purchase of the existing production capacity, the majority of shares in the company and takeover of corporate control in the company is called "mergers/acquisitions" investment, "brownfield" investment or simply "takeover" investment. The latter category includes FDI created as a result of privatisation. The

¹ MMF defined such share for all countries regardless of their development level.

basic precondition for the launch of FDI, like with the launch of the market, is the existence of at least two motivated and interested parties and strong backing of local and national communities.

Numerous authors (Blömstrom and Kokko 1997, Graham, 1995, Moran 1999, Metaxas T., 2010, Bilas V. , 2006) have studied investors' reasons for initiating FDI, and they generally belong to one of three groups;

1. The expected return of the foreign branch of a non-resident will exceed the grant of a licence to the resident because of the location or vicinity of the market, lower labour and capital costs, more advanced technology, economies of scope and managerial and marketing know-how (Graham, Krugman, 1995) which form the so-called intangible assets that provide competitive advantages in relation to resident companies. The factor of attractiveness of location thus becomes one of the key reasons for the investors, and this implies the availability of natural resources, market size, geographical location, road infrastructure and other.

2. Portfolio optimisation of multinational companies or value maximisation with simultaneous reduction of risk to the lowest possible degree.

3. Foreign investment also contributes to reduction of effect of imperfect investors market for the purpose of reducing average costs of the capital-intensive industries and increasing the output through FDI.

To take advantage of FDI benefits, it is not indispensable to own a company in another country. Advantages may also be acquired through export or licence agreements with a domestic company. Nevertheless, FDI enables considerable savings by means of internalisation of transactions, which could not be the case with export of finished products or licence granting. Internalisation occurs because there is no market for some specific advantages, so that they can only be placed internally- within the company. In such a case, foreign direct investment becomes the substitute for the insufficiently developed financial market.

One of the most widespread theories explaining the reasons for FDI has been developed by Dunning (1988) in his OLI theory that explains the reasons and motives of foreign investors through three sets of advantages;

O – ownership advantages, as a result of ownership of specific (intangible) assets;

L – location, geographical and economic advantages of a given location, and

I – internalization, when benefits of launching own production exceed benefits of selling the licence.

In this matter, location factors play the decisive role because of rich natural resources, developed infrastructure, favourable price of workforce in relation to its quality, abundance and quality of other production and business factors (transportation expenses, market access) and different forms

of administrative measures (customs, quotas, investment promotion measures, etc.). In any case, whatever the reasons for FDI, they eventually always reflect the investors' aspiration to increase profits and extend the influence of the company.

2. Reasons to receive foreign direct investment at the level of local communities-cities

Gospodarski razvoj lokalnih zajednica veoma je važan u smislu dugoročnog razmatranja ukupnog razvoja gradova i njihovih lokalnih ekonomija. Kada se govori o lokalnom gospodarskom razvoju tada se zapravo govori o procesima putem kojeg akteri u okviru države, županija, kantona, gradova i općina rade i surađuju zajedno sa različitim partnerima iz poslovnog i nevladinog sektora sa ciljem stvaranja boljih uvjeta za ekonomski rast i otvaranje radnih mjesta u sklopu svoje lokalne zajednice. Putem takvog načina komuniciranja i rada uspostavljaju se i održavaju efikasni lokalni mehanizmi za razvoj poduzetničke klime te poboljšanja života svih ljudi koji žive u određenom gradu, općini, županiji i sl.. Direktno strane investicije čine najvažniju spregu u lokalnom gospodarskom razvoju i ključne su u smislu otvaranja novih radnih mjesta, povećanja proračunskih prihoda, povećanja poreznih prihoda i sl.

The belief that foreign investment is positive is based on the hypothesis that foreign investment may create positive spillover effects in other fields of economy through various channels. If the foreign company is technologically more advanced than the domestic city company, the interaction of foreign technicians, consultants and managers with the domestic personnel shall undoubtedly lead to knowledge spillover. Positive spillover is related to development of new inputs that consequently become accessible to other domestic producers. Furthermore, in terms of city and local economy, it is first and foremost critical to determine whether the inflow of foreign investment causes an increase or a decrease of overall investment into the town. In the event that foreign direct investment enters into fields where competition of domestic producers is already fierce, it could cause competitive struggle whose consequences would include a reduction of supplies, postponement of investment and, for some domestic companies, leaving the sector. In fact, instead of positive effects, it could cause negative effects for the local community through reduction of overall investment in the sector and the eventual reduction of investment into the entire economy. On the other hand, if foreign direct investment enters a new sector of city economy, there is a great possibility that the overall investment will actually increase. In other words, positive effects of FDI range from opening new workplaces in the city and the related transfer of technology, managerial skills and knowledge to increased income of the city's budget through income tax of either multinational or international companies. Nevertheless, it is necessary to be careful about income increase of the local budget, insofar as one of the most usual FDI attraction policies is tax exemption over a longer period of time. A dangerous consequence of FDI frequently stated by opponents of FDI is the fear of increase of influence of multinational

companies on economic policy and stability of local economy and the entire country and the possibility of creating a monopolistic relationship between a given multinational company and the recipient country. There certainly are other negative effects that FDI can cause to a local community and other social expenses incurred by lower employment rates in some sectors as a result of workforce rationalisation (in companies taken over through FDI) or simply as a result of displacement of unsuccessful domestic companies. At macro level, there might be a worsening on the current account of the balance of payments of the host country if companies established through foreign direct investment have net imports (larger than exports) for example, from their headquarters abroad (Moran 1998).

3. Basic preconditions and incentives cities have to develop to attract foreign direct investment (FDI)

Investment environment (location, region, stability) is the key factor for FDI. Investment environment as a factor of foreign direct investment refers to a group of indicators of the economy and market force of a country, of the development of its natural and human resources, development of its infrastructure, political stability affecting country credit risk and legal openness and attempts of government agencies to improve foreign direct investment. Considering the increasing competition amongst developing countries in attracting foreign investment, fulfilment of basic economic preconditions does no longer suffice for stimulating the arrival of foreign investors. Besides policies geared towards improving basic economic conditions in the country, governments also have to develop selective measures to stimulate foreign investment. In addition to measures as the basic precondition for attracting foreign investment, marketing plays the increasingly more significant role for the purpose of promoting these measures in the country, the region and cities. Today's cities are attempting to attract as much foreign direct investment by a series of stimulative policies. Factors that were decisive in the past (cheap workforce, natural resources and similar) are becoming less and less important when it comes to attracting investment because they alone do not suffice for securing sustainable growth. Foreign direct investment is mainly attracted by its own interest, either by the large size of the domestic market or by lower production costs and cheaper overall business operations that gain advantages over competitors and enable export-oriented production. For this reason, competitiveness has to remain one of primary areas that governments have to secure to attract foreign direct investment. Free and open market is a precondition, but it is usually insufficient due to its unpredictability. Almost

all important and economically developed cities have their special benefits they use to attract foreign investors. In this vein, particular cities, like particular companies, are more or less successful than their direct competitors. Regardless of their success in attracting foreign capital, cities still have to fulfil certain preconditions without which there is no foreign investment (Graham 1995, Moran 1998), namely: a) Political and economic stability, b) Business environment and c) Infrastructure.

Measures for stimulating foreign direct investment belong to three groups: fiscal, financial and other (Bilas, 2006), as follows:

a) Fiscal stimulation. Fiscal stimulation comprises stimulating tax measures such as reduction of income tax for FDI endeavours; deferred taxation for a definite period (*tax holiday*); passing the agreement on avoidance of double taxation; enabling accelerated depreciation; enabling tax deductions for investment and reinvestment in the form of foreign direct investment; enabling deductions from tax base related to the number of employed local and resident workers; enabling tax base deductions for the share of domestic raw materials in productions; enabling exemption of payment of import customs on capital equipment, machines and raw materials; enabling exemption from payment of export customs, return of import customs, and numerous other measures.

b) Financial stimulation. Financial stimulation comprises the approval of funds to companies for financing foreign direct investment such as state support and subventions for part of investment expenses, subsidised state loans, state guarantees and guaranteed export loans, insurance against exchange and non-commercial risk and similar supports.

c) Other stimulation. Other stimulation comprises *increasing* profitability of investment through non-financial manners, such as providing services related to infrastructure under more favourable terms (for instance, paying cheaper electricity), subsidising other services (for instance, telecommunication and other services) and similar. Regardless of the aforementioned, two basic preconditions have to be fulfilled for the city to be attractive for foreign investors- stability and profitability (Petрак, 2000).

4. Role of urban marketing in attracting foreign direct investment

Urbani marketing je posljednjih godina u zapadnim zemljama postao tema o kojoj se u znanstvenim krugovima sve više razgovara, dok je kod nas to ipak rjeđe. Danas je glavna problematika svih gradova i općina u BiH kako efikasno i brzo djelovati te kako primijeniti dobro poznate marketinške i menadžmentske koncepte iz poslovnog svijeta na djelovanje i rad gradske administracije. Međutim, dominira rasprava o funkcioniranju javne administracije, načinima poboljšanja rada, povećanju transparentnosti njenoga rada, efikasnosti javne administracije, senzibiliziranju javne administracije, potrebi za strateškim planiranjem, privatizaciji i odvajanju određenih poslova javne administracije, ali se nedovoljno raspravlja o implementaciji koncepta urbanog marketinga u navedenim aktivnostima. U uvjetima ubrzanog tehnološkog napretka, naglog širenja svjetskog tržišta i novih komercijalnih prilika kroz različite oblike suradnje, partnerstva i strateških saveza, urbani marketing gradova sve je zanimljiviji koncept gradskim rukovodstvima. Urbani marketing dio je strateškog marketinga koji ima cilj promoviranje imidža grada, njegovih proizvoda, turizma i privlačenja investicija.

Urbani marketing podrazumijeva odabir prikladnog načina projektiranja i organiziranja gradova, kako bi se zadovoljili zahtjevi ciljnih segmenata zainteresiranih za urbani razvoj. Urbani marketing će postići svoj cilj kada građani budu zadovoljni sa urbanim ekonomskim okruženjem, i kada očekivanja posjetitelja i investitora budu ispunjena. Danas, urbani marketing postaje izvanredno obilježje strategije lokalnog gospodarskog razvoja. Lokalni gospodarski razvoj podrazumijeva uspostavljanje dugoročne urbane marketinške strategije usmjerene na očuvanje i razvoj prirodnih, ekonomskih i ljudskih potencijala lokalne zajednice.

By definition, every foreign direct investment is a mixture of global and local. Foreign investors are normally highly technically advanced companies, usually multinational companies that have to reduce the risk to the lowest possible degree before entering the market at the same time keeping standards they have in their own country. By the same token, no matter how global these companies are, they also have to adjust to the requirements of the local community. On the other hand, local communities have to suit their resources to the needs of foreign investors. This might sound simple, but it is really a very demanding task. Local communities are facing strong international competition and their resources are rather limited. Local communities are particularly limited in terms of fiscal stimulation, because in most countries, fiscal policy is usually carried out by the government. The ideal strategy for attracting foreign direct investment

for local community would be to directly search for foreign investors by emphasising their advantages (of the local community and the entire country) and contacting them having recognised their particular needs. In reality, this is very difficult because of the lack of resources, so that foreign investors are the ones who have to recognise advantages offered by the local community. This is the area in which urban marketing as a strategic tool of emphasising competitive advantages has a very important role. The philosophy of urban marketing (Friedman, 2000) is focused on the constant orientation of the city (city authorities) on needs and wishes of interest groups (various markets, citizens, tourists, companies, foreign investors). Urban marketing is an activity that enables cities and city institutions (Friedman, 2000) to be in constant touch with all interest groups and target markets, to be able to recognise wishes and needs of target groups, to be able to develop such "products/services" that address such wishes and needs, to develop the system of information flow that facilitates communication and recognition of objectives of city authorities by interest and target groups. Urban marketing actually comprises a systematic planning, management and control of all relations regarding the exchange of services ("products") between a city (as an institution) and its markets (Muller, W.H., 1992). In terms of marketing, foreign investors arrive to a particular region or city because of specific investment advantages they offer (Cuong, 2005, Lowendahl 2001). Every responsible city administration has to recognise the need and advantages of foreign direct investment and to direct its target policies and marketing efforts thereon. Urban marketing activities have to be directed to three crucial areas of strategic interest for foreign investors, namely location, competitiveness and human resources. The choice of location is one of the key strategic decisions for foreign investors. The choice of location is affected by numerous factors, the most important of which are local communities, fiscal policy, business environment and government policy on foreign direct investment. Competitiveness refers to all factors affecting business operations such as economic stability of the country, GDP size, unemployment rate, stability of national currency and structure of other investment. Besides primary economic indicators, secondary economic indicators such as the existence of clusters, entrepreneurial incubators and technological centres also play an important role as they are of interest to foreign investors. The objective of urban marketing is to point out these advantages and make them attractive for foreign investors. Human resources are the third and a very important strategic factor for attracting foreign investment. Quality and education of workforce, collaboration of the university, companies and the local community also play an important role in attracting foreign investment. Considering that human capital has a dominant share in the value of a company, it is vital for foreign investors that such capital is well cared for.

Local communities have to prove that there is sufficient educated and capable workforce that can meet their requirements in a particular area.

There are five key variables of urban marketing that have to be directed towards attracting FDI (Cuong, 2005):

a) *Elaborated complex city product*- modern marketing theory indicates that customers buy products because of benefits they will have from the products rather than because of benefits advertised by their manufacturers. In terms of foreign direct investment in cities, urban product is the overall investment climate and environment in the city. The overall investment climate refers to all fiscal, financial and other supports, including infrastructure, positive relationship of city authorities towards foreign investors and available workforce. All these elements embodied in a single urban product comprise the competitive offer of a city in the FDI market. Individual actions do not make a city product.

b) *Positioning*- is what we actually say to our customers, how we want them to see us. It contributes to shaping the image of our product and of what we want to be recognised by. In other words, positioning deals with the image and our clients' desired perception of us (Siegel, 2002, Kotler 1998). It is important that city authorities know how and by what potential investors recognise them and that they realistically estimate their strengths and weaknesses in relation to their competitors and to create an adequate positioning and communication strategy based thereon. "Realistic positioning" is more important than "high positioning."

c) *Target market* – since foreign investors are not homogeneous, they have to be classified into various segments. They can be grouped according to their country of origin, industry, type of company (multinational company or not) and similar. Different regions and different cities shall target different segments. Each city shall choose a few target markets.

d) *Distribution* – comprises processes and locations where the customer may buy a particular product. In this regard, in attracting FDI, distribution represents places and processes in which a foreign investor may take part with his investment. For example, foreign investment in Croatia may also be realised in duty-free zones, enterprise zones, industrial and technological parks and directly in particular locations or in entrepreneurial, artisanal and similar zones. Cities may offer investment in some locations or in enterprise, artisanal and similar zones. Registration, setting up companies and transfer of investment have to be short, fast and as simple as possible.

e) *Integrated communication* – the manner in which positioning is delivered to the target market. Having made its decision about target market, city authorities will develop programmes of communication that will deliver the desired message to target groups of investors. There are three main promotion techniques used in attracting foreign investment (Wells, Wint, 1991): techniques

of creating primary image, techniques of investment promotion and service promotion techniques. Cities that have already established a good investment image focus on the promotion of investment possibilities and additional services and benefits for investors. Technological parks and city enterprise zones may also have their separate promotional materials. However, we have to stress the fact that past research (Young, 2005) indicates that promotional campaigns alone, without any marketing strategy and detailed development of marketing activities, have no actual effect. All participants have to be equally involved. Sole promotion of investment possibilities without a developed programme shall not produce long-term positive effects (Keating, 1991).

Typical problems in the implementation of urban marketing in cities for purposes of attracting FDI are unclear positioning of the city in relation to its competitors and bad communication or inadequate promotion of FDI investment (inadequate promotional materials, lack of updated on-line editions and similar). Additionally, weaknesses in attracting FDI in cities often include the lack of strategic plan of attracting investment. Furthermore, investment lists often absolutely do not correspond to current interests and wishes of the investor. It needs to be underlined that the failure to recognise interests and wishes of target groups, in this case investors, too often causes sending too much unnecessary and unsystematic information either through promotional materials or through various city delegations, which additionally complicates communication and harms the image of the city – the backbone of FDI attraction.

U sadašnjem vremenu, u uvjetima globalizacije, gradovima je potreban efikasan koncept urbanog marketinga kako bi uspjeli opstati u uvjetima međunarodne konkurencije, kako bi uspjeli privući nove investicije, poduzeća, poduzetnike, turiste, pa i nove stanovnike, i na taj način uspjeli realizirati relevantne regionalne nacionalne ili i internacionalne programe. U posljednjoj deceniji pokazala se potreba za primjenom koncepcija marketinga u gradovima i sektorima javnih usluga (komunalna poduzeća) kako bi se poboljšala njihova efikasnost i uslužnost do krajnjeg korisnika.

5. Proposal of strategic concept of implementation of urban marketing for successful attraction of foreign investment in cities of Bosnia and Herzegovina

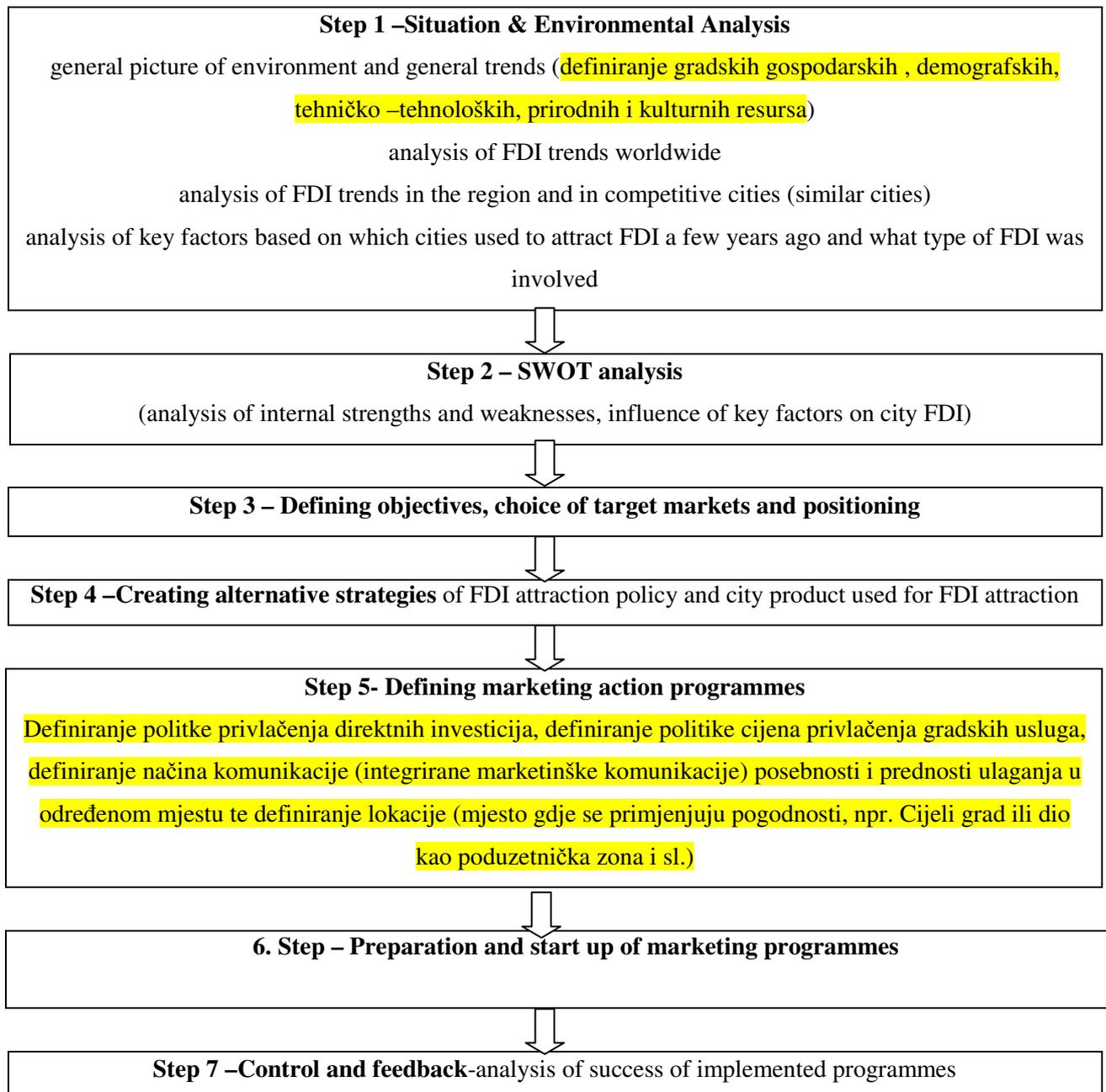
Urbani marketing se koristi za ostvarenje nekoliko ciljeva, kao što su stvaranje pozitivnog imidža zajednice, privlačenje direktnih investicija, jačanje gradskih institucija, privlačenje turista i posebno kvalificirane radne snage, ali ima zadatak i pronaći tržište za izvoz, te usvajanje instrumenata strateškog marketing menadžmenta u cilju stvaranja urbanog branda. Stare strategije promicanje lokalnih zajednica više ne vrijede u kontekstu nekih tržišta zbog kontinuiranosti brzih promjena.

If cities want to be successful in attracting foreign investors, they have to develop their own marketing strategy and secure collaboration of all relevant institutions and participants. We have already stated that fiscal measures alone do not suffice, because such advantages are common to almost all cities in the environment. All relevant city and state institutions should act in synergy to realise economic growth and development. State institutions, regions and cities (municipalities) have the equally important role of acquainting potential investors with the advantages of investing in their territory. Direct foreign investment in Bosnia and Herzegovina experienced a considerable fall in 2010, which can be explained by the effect of global economic crisis and unorganised system of attracting and promoting FDI, which eventually resulted in investors' reluctance to invest. Another reason for current difficult access to commercial bank loans is that banks have introduced stricter loan criteria. In the past five years, foreign companies mostly invested into the production sector of Bosnia and Herzegovina. In 2007, owing to the privatisation of large state-owned companies, Bosnia and Herzegovina had the inflow of EUR 1.6 billion in foreign direct investment, the record annual amount in the last fifteen years². The inflow of foreign direct investment in 2008 amounted to EUR 701 million, without expected privatisation, and it can be considered satisfactory, particularly if we take into consideration its private structure. In 2009 and 2010, global economic crisis affected the inflow of foreign direct investment. Over the past five years, European countries have invested the total of over 90% of the overall foreign direct investment in Bosnia and Herzegovina. Austria is the largest investor in Bosnia and Herzegovina, like in the year 2010. Owing to a good reputation and long investment tradition in Bosnia and Herzegovina, the largest amount of foreign direct investment has been invested into production sector. The most important share of the overall inflow of foreign direct

² www.mvteo.gov.ba – Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, (15.03.2011);

investment has been marked in production sector (34%) and banking sector (22%)³. It follows that Bosnia and Herzegovina currently undertakes no organised and systematic effort in attracting foreign direct investment. Consequently, for purposes of changing such situation, we propose a strategic concept of implementation of urban marketing used in improving activities of cities of Bosnia and Herzegovina in attracting foreign direct investment (Figure 1).

Figure 1 – Strategic concept (model) of FDI attraction for cities of Bosnia and Herzegovina



Source: authors, 2011

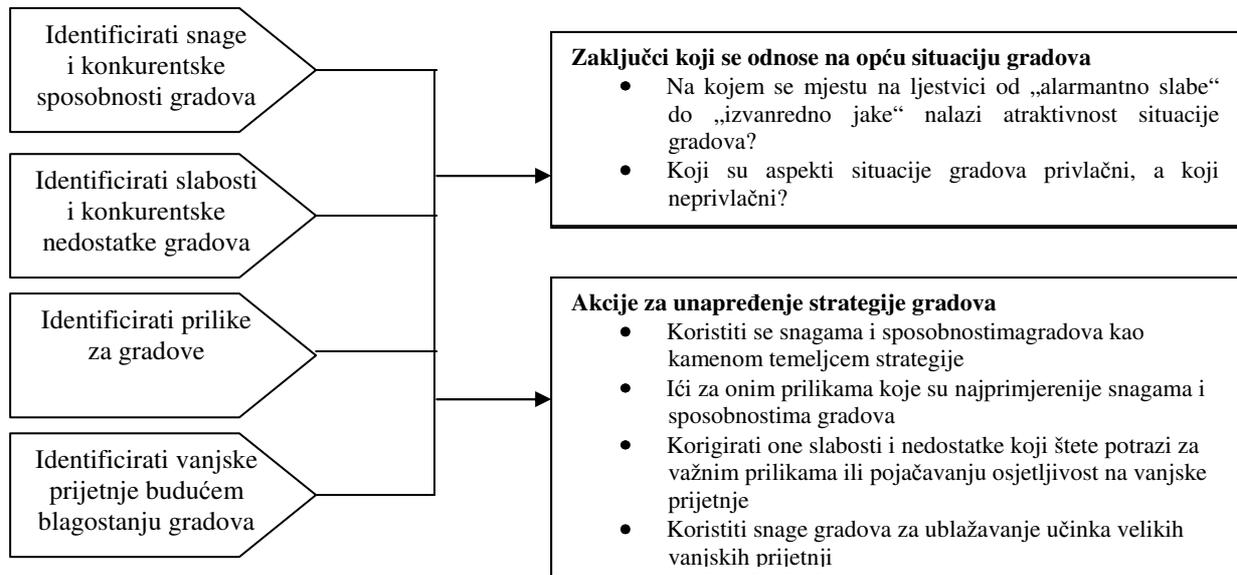
³ Ibid., 2011

Step 1 Situation & Environmental Analysis of FDI has to provide a general picture of FDI trends worldwide. City management has to be familiar with the current quantity of FDI in the world, with their structure and distribution. Environmental analysis has to provide data as to FDI trends by industry, country, region and similar cities. The analysis includes the examination of key factors with the task of identifying factors in making decisions about the FDI host city, how investors react to promotional and other materials of cities in relation to FDI attraction.

Step 2 SWOT analiza FDI-ja ili identifikacija **snaga, slabosti, prilika i prijetnji** sastavni je dio strateške analize koja se koristi u ovdje predloženom modelu. Obzirom da se prilikom razmatranja analize situacije i okruženja susrećemo s veoma kompleksnim **varijablama** utjecaja, njihov cjelokupni obuhvat i detaljna analiza zahtijevala bi previše vremena i truda, a najvjerojatnije se ne bi niti isplatila, obzirom na vrijeme potrebno za provedbu takve analize i brzinu kojom se odvijaju pojedine promjene u okolini. Stoga se kroz SWOT analizu koncentriramo na one činjenice i događaje koji imaju najveći (kritični) utjecaj na trenutnu situaciju. **SWOT analiza najčešće se prikazuje kroz matricu, koja** predstavlja konceptualni okvir za sustavnu analizu i olakšava uspoređivanje vanjskih prijetnji i prilika s unutrašnjim prednostima i nedostacima. Osnovna je svrha SWOT analize izolirati ključne činjenice i događaje da bi olakšala strateški pristup i prepoznavanje strateških problema (Urban design, 2001.) . Također, SWOT analiza može se promatrati kao sredstvo za razumijevanje i proučavanje organizacijskih internih snaga i slabosti **te** prilika i prijetnji iz okoline (Balamuralikrishna, C.Dugger, 2001.; Buble, 2005.).

SWOT analizom gradovi kroz sistematski pristup pozitivnih i negativnih događaja, trendova u njihovoj okolini, a u odnosu na njihovo unutrašnje stanje donose i provode adekvatne politike, programe i odluke. **Bitno je svakako imati na umu da bi SWOT analiza trebala biti grupna tehnika te ukoliko se želi dobiti određene objektivne odgovore, mora uvijek biti zasnovana na stručnim, obrazovanim i iskusnim učesnicima koji veoma dobro poznaju svoj grad, njegova obilježja i njegove probleme te njegove prednosti u pogledu privlačenja FDI-ja.** Svaki drugi način i pokušaji mogli bi stvoriti određene slike i vizije grada koje mogu strategiju privlačenja FDI-ja bitno udaljiti od zacrtanih ciljeva. **Pri izvođenju SWOT analize treba voditi računa i o tome da temeljem identificiranih snaga, slabosti, prilika i prijetnji svakako treba donijeti zaključke o općoj situaciji gradova te djelovati (provesti strateške akcije) u skladu s tim zaključcima (slika 2).**

Slika 2: Tri koraka SWOT analize: identificirati, zaključiti, provesti u strateške akcije



Izvor: pripremili autori prema Thompson, A.A.; Stickland, A.J.; Gamble, J.E, 2008.

Step 3 starts with the definition of quantitative and qualitative objectives we want to achieve and with the recognition of desired FDI target markets using SWOT analysis. Objectives specify activities that have to be realised in order to achieve a particular mission and vision of the city, in this case, the city that wants to attract foreign direct investment and become successful in it. The clearer the objectives, the easier it is to define programmes used in their realisation. In other words, objectives are focal points we want to realise and aspire for. The choice of target markets follows after the implemented segmentation or analysis of key factors and trends by similar cities elaborated through the SWOT matrix. Based on its planned objectives and analysed trends and possibilities on FDI markets, each city shall choose the target segments in which it can be competitive. The choice of target markets shall be greatly influenced by availability of own capacities and offered advantages. Positioning is a logical continuation of finding a place in the awareness of potential FDI investors. Positioning statement reflects city aspirations as to how the city wants to be recognised and differentiated from its competitors. For instance, the City of Rovinj will secure the best educated and the most disciplined workforce in the region or the City of Rijeka will become the bridge between Southeast Europe and Asian markets securing the fastest and the most flexible access to these markets through its infrastructure.

Step 4 comprises the creation of alternative strategies based on previously stated variables (objectives, target market and positioning). Several different strategies have to be taken into

consideration and studied. All alternative strategies are directed towards previously defined target markets, objectives and positioning. The evaluation is followed by the choice of key strategy and the main course of action and up to two alternative strategies that can secure flexibility in relation to dynamic market shifts with potential FDI investors. Strategies have to secure joint action of all relevant factors, first of all coordination and path of collaboration between the city and the city office for economy, regional office for economy, state agencies for investment promotion and other relevant Ministry departments.

Step 5 comprises the definition of marketing action programmes. Action programmes have to consist of detailed description of objectives, all investment promotion measures (programmes), promotional activities, investment locations, strategic framework and mechanisms of control.

Table 3 shows the content of such action programme for BIH cities. - PRERADITI

Table 3- Proposal of content of marketing action plan for FDI attraction

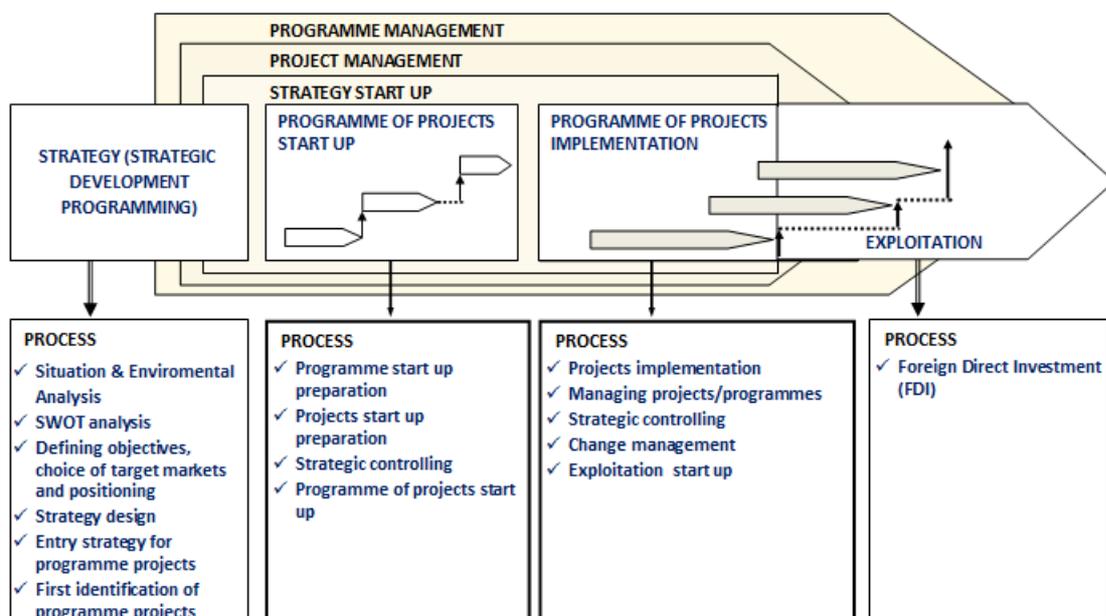
Qualitative objectives	-Creating city image related to a positive perception of FDI attraction -Creating relations between city, regional and state entities and administrations
Quantitative objectives	-Number of new investments -Planned increase of invested capital - Growth of employment in relation to the year preceding FDI - similar
Description of activities	-Short description of target markets, desired city positioning in relation to other FDI potentials, strategies and their alternatives, existing situation and expected future situation, brief statement of the most important guidelines from the situation analysis and FDI trends.
Implementation	-Defining the Programme (all kinds of stimulation, measures and similar) towards each target market -Defining Integrated communication (all types of promotional activities separately for each programme, according to each target group considering their distinctive features) -Defining Distribution – all locations and facilities as investment potential, in logical order regarding defined Programmes
Coordination and collaboration	-Defining city office or city agency for promotion of investment -Defining key persons, name and last name, function and contacts -Defining collaboration of city offices with government offices and agencies and appointment of contacts and key persons -Defining collaboration of city offices with regional offices and agencies

	<p>and appointment of contacts and key persons</p> <p>-Defining foreign departments, persons and agencies that are or will be in charge of promoting FDI investment</p>
Assessment and control	<p>-Defining criteria for comparison and results according to set objectives, defining the way of their assessment, defining statistical methods for their monitoring.</p> <p>-Constant control and feedback with the objective of corrective actions and steps forward.</p>

Source: authors, 2011, see also Paliaga, Strunje, *Ekonomski misao i praksa*, god. XX., br. 1, str 51.

Step 6 – after the creation of alternative strategies and the definition of marketing programmes necessary to attract foreign investors, these programmes have to be start up. Before their start up, it is crucial to undertake quality programme start up preparation. To prepare programmes and perform them efficiently and successfully, it is indispensable to establish a good project management system that will achieve the previously set entry strategy. In implementing the strategy with programme of projects, it is also necessary to introduce project programme management. The model of strategy start up with its objective of attracting foreign investors is shown in Figure 3.

Figure 3 – Programme oriented strategy start up



Source: authors' adaptation according to Hauc, 2007.

Step 7– above all, it comprises the definition of the manner and criteria for the comparison of results. In control of success, it has to be clearly defined what the realisation will be measured

against, whether according to quantitative objectives or quality objectives, in addition to defining indicators that will be used in comparisons. The usual indicators are initial years before undertaking FDI attraction actions. The indicators are assessed and corrected on the basis of annual results.

6. Conclusion

Kao što proizlazi iz definicije urbanog marketinga, njegov glavni cilj predstavlja privlačenje aktivnosti koje su potencijalno povoljne za zajednicu i maksimiziranje zadovoljstva segmenata na ciljnom tržištu. Za analizu tih definicija potrebno je pratiti postojeće odnose između urbanog i općeg marketinga, eksplicitne i implicitne interakcije između urbanog marketinga i tržišnog koncepta. Nestabilno privredno i političko okruženje prisiljava lokalne vlasti u poziciju da se suoče s novim socijalnim potrebama i očekivanjima. To je rezultat povećanja konkurencije između zajednica, umanjenja finansijskih sredstava, gubitka povjerenja u učinkovitost tradicionalnih načina teritorijalnog planiranja

Cities and local communities need clear strategic investment attraction plans and a clearly defined list of potential investors. The choice of wrong investors may have a negative effect on the existing domestic investors as we have stated herein. Information that cities and local communities offer to their investors has to be systematic and structured and without unnecessary information, which is not often the case. Access to potential foreign investors has to be direct, with a straightforward marketing strategy, which requires the implementation of strategic concept providing us with a clear picture of what we want to achieve and steps that have to be taken with this respect. A special role in the strategy is played by marketing action plan, as stated in Table 3 herein. International integration processes in which Bosnia and Herzegovina is increasingly more included open up possibilities of faster and more stable development. The role of FDI in the realisation of such development is extremely important and it has to be one of the key objectives in the process of recovery of Bosnian and Herzegovinian economy. Urban marketing in the role of attracting FDI is a constituent part of the process and the first step in its definition and recognition.

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