FOREWORD

Dear readers,

In front of you is the fifth issue of International journal of economics and law, published by the Faculty of Education of Executives (FORKUP), Novi Sad, and Alpha University of Belgrade. The idea for starting “International journal of economics and law”, is an effort of the Faculty to enable the placement of their scientific works and its critical reviews, theoretical discussions and research to students, colleagues, teachers, other professionals from home and abroad, as well as acquisition and expansion of knowledge in economics, law, management, and so on.

Gratitude for publishing this scientific journal belongs to all of you who participated in the work of our international conferences, ANTiM and LEMiMA, to all of you who have created the basis for further expansion of our cooperation to promote these disciplines with yours scientific contributions. The structure of the papers in this journal comprises three dominant scientific disciplines in the social humanistic field that unify the faculty including economics, law and management, but the sciences that have a dominant influence on the global, national, and corporate performance. Integrating these sciences in one place and with the participation of domestic and foreign experts, conditions for exchange of scientific information and experience are created, and thus the achievement of defined objectives of every reasonable organizing.

We can achieve that only by common effort of all of us. That kind of note is confirming real wealth of the states, prepositions and initiatives presented in written papers of one hundred seventy authors, sixty of them are from abroad, from third international conference ANTIM 2012.

By starting this scientific journal, we have shown our readiness, responsibility, and resources for stimulating scientific research and publishing work, and along with other to improve legal, economic, and management thought, i.e. theory and practice. The challenge is certainly greater bearing in mind the times we live in, and followed by a high turbulence in the natural order (earthquakes, tsunamis, volcanoes, etc.), and so in the social order as well as internal conflicts that shook certain countries, through the technological boom, and moral problems in different spheres of life and work.

Due to this complexity, which will in future be more complex and uncertain, it is necessary to put science in the foreground, as new production work force. Scientific journals are one of the most efficient sources of acquiring knowledge, especially in terms of their electronization and possibility of rapid scientific information transfer provided in their facilities. Therefore, the idea is that contents of this journal are modern and actual, but also to be available to all who are interested in economics, law, management, entrepreneurship, and so on. International editorial board invites esteemed scholars, admirers of science and scientific thought, i.e. profession to enrich the quality of journal and thus contribute to improving these disciplines, but also business i.e. legal and management practices.

Welcome to “International journal of economics and law”. Good luck!

Belgrade, 2013.

Editor in chief
Prof. dr Života Radosavljević
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IMPORTANCE OF EXTERNAL ANALYSIS IN DEVELOPMENT STRATEGY OF ORGANIZATIONS

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Abstract: Strategic management is a series of activities undertaken by the organization in order to survive and develop in the increasingly demanding local and global markets. Organizations of all types and sizes are constantly faced with changes in the external environment, which causes the need for scanning and evaluating the proper opportunities and threats that organization faces in external environment. Top managers need to recognize the importance and necessity of external analysis in order to reach, through its application, the necessary information as the most important tool in market ‘warfare.’ Suitable external analysis is possible only if we include all relevant environmental factors (technological, economic, socio-psychological, demographic and political-institutional). Multidisciplinary strategic management is, at the same time, challenge and possibility for applying different methods and techniques in the process of analyzing the external environment of the organization. External analysis provides meaningful information and selection of appropriate strategies, resulting in improved business performance of the organization.

Keywords: strategy, development, external analysis, organizations.

1. INTRODUCTION

External analysis is the process of scanning factors in the external environment of the organization and consequently assessing opportunities and challenges facing the organization. Chances (opportunities) are positive external trends and changes that can help organizations in terms of improving business performance. Threats are negative external trends and changes that could downgrade business performance of organizations. Strategic managers must be flexible and prepared to exploit any situation in which an organization finds itself in the way that is appropriate for interests and goals of the organization. After dealing with the current situation, they define the following steps in the way that turns an unfavorable situation in their favor. This becomes possible only if you actively plan and adapt to the new situation. Maxwell offers a vivid description: ‘The pessimist complains about the wind. The optimist expects it to change. The leader adjusts the sails.’ All aspects of planning must be aligned with global conditions. In a global environment there is a large number of internal and external factors that dictate the circumstances of business.1

1 Maksvel K. Džon, How to Become a True Leader, (Belgrade: Algoritam, 2005), 135.
2. THEORETICAL CONSIDERATIONS

Managers must perform an analysis of the current situation in the region and on the basis of the obtained information they must define adequate strategy. Based on the information about chances and risks, managers define a new strategic decision or modify the existing one. External analysis involves scanning various sectors of the organization, which can be classified as sectors that belong to specific environment and sectors belonging to general environment.

Specific environment includes: customers, competitors, suppliers, and other competitive variables within the branch. Organizations need to assess and recognize who their real competitors are, where they have to take into account only those organizations that operate in the same area, with similar strategies, resources and consumers.

2.1. Specific environment

*Bargaining power of buyers* – Buyers that have bargaining power can significantly affect the price reductions, increased quality, better service. Bargaining power of buyers can take advantage of in the direction of forcing the competitive struggle in order to obtain the most favorable offer. What are the sellers more dependent on a particular customer (if the customer has significant buying capacity), it is their struggle to win the customer’s stronger. There are a number of factors that characterize the bargaining power of buyers:

- The amount of products they buy
- Products they purchase represent a substantial portion of buyer’s costs or performed purchase
- Products purchased are standard or undifferentiated
- Low cost replacement
- Buyer has small profit or a low level of personal income
- Possibility that buyer produces those products that they purchase from others in the given economic sector
- If a particular industrial product is not essential to the quality of the final product or service
- Buyer disposes of complete information on customer demand for a particular product, current market prices and costs of suppliers.  

*Bargaining power of suppliers* - If suppliers in a particular industry have bargaining power, they can influence the price to raise, reducing the number of services they offer or reduce the quality of the products and services they offer. There are several factors that define the bargaining power of suppliers:

- The dominance of a few companies among suppliers
- Whether it is hard or expensive for the members of the industry to switch their purchases from one supplier to another, or move to attractive substitute inputs

3 Coulter Mary, *Strategic Management at Work*, (Belgrade: DataStatus, 2010), 95-96.
• If the organizations as buyers are not from the industry primary for the supplier
• Whether supplier’s product is an important input for the buying organization
• Whether supplier’s products are differentiated or there are certain replacement costs for consumers
• The ability of the supplier to supply products that can currently be purchased in your economic sector.\(^5\)

**Products substitutes** - Managers of organizations need to assess the risk in terms of product substitutes, i.e. whether there are items from other industries that can meet the needs of consumers to the same extent as the industry in which the organization operates. For example, the organization that produces umbrellas, substitute products are pieces of clothes with hoods and clothes made of waterproof materials.

**Potential entry of new competitors** - With the increasing number of potential candidates, competitive pressure also goes up. Risk of potential candidates (newcomers) depends on the ‘entry barriers’ and the reactions of existing competitors towards newcomers. Porter lists seven potential entry barriers for new coming competitors:

• Economies of scale
• Cost disadvantages independent of scale
• Product differentiation
• Capital requirements
• Cost of replacement
• Access to distribution channels
• Government policy\(^6\)

### 2.2. General environment

General environment includes: economic, demographic, social and cultural (social and psychological), political and legal (political and institutional) and the technology sector.

**Economic factors** - General economic situation in a given country affects to a lesser or greater extent all organizations in that country. Favorable general economic situation has a positive effect on the organization in terms of their strategic analysis and decisions, as well as opportunities for further development. Organization in modern industry pay special attention to the movement of the general trend of price inflation on the direct market, as well as changes in monetary policy (interest rates, foreign exchange rates, equity fund, the budget deficit / surplus, trade surplus / deficit). Organizations within a given industry all face the same economic trends and changes. It is particularly important that managers recognize the character of certain changes in the environment, in terms of duration (short-term, long-term, seasonal, structural changes).

**Demographic factors** - The business organization can be under significant influence of both short- and long-term demographic changes. There are a number of demographic

\(^6\) Coulter Mary, *Strategic Management at Work*, 92-94.
indicators that should be covered by the analysis. The most important and also the most widely used data are related to population growth (fertility and mortality rates). In addition to these data, a high-quality analysis must include data on the age structure of the population, the character of the income distribution, education level, geographic distribution, ethnicity, education, family structure, gender structure, etc. Top managers of successful global organizations with special attention monitor the analysis of demographic factors in the markets that are still unutilized. Based on data stemming from the analysis, managers make strategic decisions in terms of performance and methods of presenting their products in these markets. The literature often lists terms that mark whole generations with specific characteristics. The generation born in the period 1946-1964 in one of the post-World War II countries that had experienced unusual natural increase is known as the ‘baby-boom’ generation. There is also the X generation (the ‘Zoomers’ born between 1965-1977), the Y generation (‘echo – boomers’ born in the period 1978-1994).7

Socio-cultural factors - Proper assessment of potential consumers is only possible if we analyze their social and cultural habits in daily life. Organizations perform detailed analyses by setting guidelines in the form of questions: What is the culture of a particular country or nation like, whether it is subject to change and in what direction? What are the customs and traditions of the population of a town, area, region, country, continent? What kind of lifestyle they have, what are their values, attitudes, beliefs, tastes? Organizations that wish to be competitive must take into account all the above parameters in order to – based on the obtained data and created images (profile of consumers) - apply specific strategies and gain their interest and confidence.

An example of successful socio-cultural analysis refers to Napoleon, who showed his versatility in the expedition to Egypt. It was during the long journey to Egypt that he was studying the history and culture of Egypt, the Koran, and all the customs of the people who live in these areas. He even used to wear Egyptian national costumes on certain occasions. Having learned that he had the time and desire to explore their faith and customs, as well as plans and improvements that they can make, the Egyptians accepted him as one of them. Napoleon introduced both his army and his followers with the customs prevailing in Egypt and ordered them to strictly adhere to the guidelines. This way Napoleon proved once again that flexibility is one of the most powerful weapons that can completely disarm opponents and turn the situation to your advantage.8

Political and legal factors - Political and legal climate that prevails in a country strongly affects the government’s attitude toward business, as well as the number of regulations that particular industries face. The state may directly affect the faster or slower development of certain segments of the organization, by implementing certain measures of economic stimulus policies. An example of significant implications of federal legislation is the Americans Disabilities Act of 1990 (ADA), which was enacted in order to make employment and facilities available to people who are disabled, regardless of whether they are customers or employees. The most important and the strongest impact of the state upon all business entities in a given country refers to defining the institutional basis of the economic system, as well as defining and implementing policies.

7 Coulter Mary, Strategijski menadžment na delu, 103.
8 Manas Džon, Napoleon on project management, (Belgrade: Leo Commerce, 2007), 65-66.
Technological factors - Rapid technology development, characteristic of the XXI century, significantly influenced the development of different branches of economy, different economies, and even different regions. Managers of competing organizations constantly monitor technological developments and possibilities of application of these technological advances.

Managers perform a selection of segments of the technological development that will in the long run be the center of their attention, and then they determine the level of strategic analysis which will be subject to (width coverage and depth of analysis). The choice of mode and intensity of monitoring of technological changes depends on the assessment of the dynamics of technological development in the area where the organization belongs, as well as on the evaluation of the impact of technological development on the development of the organization. Managers always endeavor to establish what innovations in the technology sector in the field of either science or technology create chances and risks. The areas where technology development is most affected are: research and development sector and work processes of the organization.

3. ADVANTAGES AND WEAKNESSES OF EXTERNAL ANALYSIS

One of the advantages of external analysis is reflected in the experiential development of proactive managers who acquire skills of change forecasting and preventive planning in terms of measures that can be taken in potential situations. Managers who conduct external analysis come up with very important information enabling them to carry out an adequate analysis and initiate appropriate action. Coulter mentions a number of factors which require external analysis: a turbulent market, fragmented markets, less prominent brand loyalty, significantly more demanding customers, technological changes and intense global competition. The importance of external analysis depends on the degree of influence of the external environment on the operations of the company. If the organization has a stable and secure market position, stable socio-economic status, etc., and is therefore to a relatively lesser degree dependent on the environment, then the company management does not need to appropriate much importance to the external environment analysis. By contrast, in a situation where the success of the organization depends on the external environment, environment that is at the same time very unstable, then managers need to pay attention to environmental analysis.9

In many industries, especially in the technology area, the speed of change and development is so pronounced that many organizations fail to follow the tempo. Organizations where managers have too many activities and jurisdictions do not have enough time to analyze the external environment, so by looking from this angle, the time required for the process of analyzing the external environment can be considered as one of the drawbacks. This deficiency can be treated with some caution due to the fact that the division of labor and the scope of activities of the manager are the reason why it is impossible to perform external analysis. In organizations in which the activities and responsibilities are properly delegated, there is enough time for the analysis of the external environment of the organization. Predictions and analysis of trends represent a significant segment of the external analysis but cannot be identified with the facts regarding accuracy. Forecasting and trend

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9 Coulter Mary, Strategic Management at Work, 115.
analysis rely on the assessment and the degree of probability that some of the planned events listed in the analysis shall occur in the future. Managers must use all available sources of information about the environment and its competitors in the region. In collecting information they may rely on different sources. They should take into account the data from the official statistics, analysis, trends, predictions, forecast, experts’ opinions. Only if they use to the maximum all the available sources of important information will they be able to perform quality external analysis and make proper conclusions accordingly. To collect information managers can use both formal and systematic methods, and informal and unscientific methods of observation. The best results can be achieved by a combination of these methods, whereby managers (using information collected by scientific methods) can also incorporate information obtained through informal methods into their analysis. This process provides for a clearer view, and, accordingly, adequate conclusions.

The process of external review is not exclusively reserved for managers. In small and medium-sized organizations, apart from managers, all employees should monitor and take into account the changes that occur in the environment. All the information they collect and obtain using both formal and informal methods, should be distributed to managers to assist them to carry out an adequate analysis. In larger organizations, the situation is different. Due to the large number of sectors (departments), managers of these sectors must monitor all changes in circumstances in the environment. They take responsibility for the data obtained through formal and informal methods of communication with the environment, as well as for the proper channeling of information towards the manager responsible for defining the strategy of the organization.

The frequency of the procedure of collecting information for the external analysis depends on the complexity and dynamism of the environment to which the organization belongs. In environments where changes are frequent and significant, organizations must perform external analysis process often as opposed to organizations whose environment is stable and without drastic changes.

4. CONCLUSION

Strategic management is a complex field that allows managers to, through meaningful analysis, acquire information necessary for the development and progress of the organization in which they work. External analysis is a significant segment of strategic management because it allows a clear insight into the opportunities and threats facing the organization. The effects of the global economic crisis are felt in almost all industries. Managers of organizations belonging to different functional areas experience constant pressure to regularly perform external analysis, and, according to changes at the micro and macro levels define or edit strategy of the organization in which they work. Due to turbulent markets in today’s economy, human resource management faces difficult task of finding adequate staff. They need to identify and attract the best staff in terms of expertise and in terms of skills and ability to adapt and to react quickly to a changing environment. Enormously rapid growth of technological achievements and penetration of new markets caused the exhaustion of certain raw materials. It is yet another among problems and changes faced by managers of large international corporations as well as players in global economy. As both motivators and players in economic development at the global level,
the largest global companies are faced with the problem of adequate redefinition of the strategy according to changes in the terms of the availability of raw materials, climatic factors, population growth, political turmoil in certain market areas, etc. The future depends on managers who are being trained right now. Their training and education is invaluable due to the fact that their decisions will affect the future sustainability of the economic and, consequently, political, cultural and social survival of the society.

BIBLIOGRAPHY:

UNETHICAL PRACTICES IN MODERN-DAY EUROPEAN BUSINESS

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Abstract: In the current economic environment, businesses will need a strong corporate culture to fight the risk of fraud, bribery and corruption — a culture which, by necessity, must start at the top of an organization. Significant minority in management are still prepared to do whatever it takes to help their business survive and grow. When building a strong anti-fraud and anti-bribery environment, companies must implement appropriate policies and procedures and communicate them effectively. Even when companies have managed to produce a code of conduct and an anti-bribery policy, a declining proportion are ensuring that their staff are trained on them.

Key words: business ethics, management, bribery, corruption, Europe.

1. INTRODUCTION

Ethical dilemmas and uncertainties faced by managers in their career encounter form the core of every managerial job. Deviations from ethical norms are more prominent, and the moral dilemmas are more often. Typical areas where there is the most common deviations from ethical norms are: corruption, industrial espionage and theft, conflict of interest, misuse of media, collusion, fraud and other phenomena related to the development of modern society such as discrimination and cultural diversity.1

Corruption is a major issue throughout the world. The political and legal theory under corruption mainly involves the misuse of entrusted powers for personal gain, with conflict of interest and nepotism as well as side effects. According to numerous occurrences of this phenomenon in the world, there are activities that are most vulnerable to corruption, namely: public procurement, government appointments in the area, donations for political campaigns, and the like.

Implementation of business ethics should not be a concern only for the managers who set the ultimate strategy of the organization, but should prevail at all levels of business and the organization itself.2 Ethics must permeate each and every thing in the organization. It has to be applied everywhere and always. We can not just be a little ethical or ethical only when it suits

1 Di Džordž Ričard, Poslovnaetika (Beograd: FilipVišnjić,2003).
2 Thompson Jr.et.al., Readings in Strategic Management (Boston: BPI Irwin,1990), 499.
to us. Ethics is absolute. At the time of attraction and abundance of Ethics, it is also very competitive weapon. Ethics can be used to attract new employees and customers. 3

Professional management through personal example (attitudes and practices) is an indicator of employees behavior. 4 Codes of ethics or standards have been formulated in most organizations, but these are not respected, because of sanctions are minor. If those responsible for setting an ethical tone in the organization cut corners, it is difficult to imagine how they will be able to positively influence the behavior of others. Businesses need a tone from the top approach to creating an ethical corporate culture. In the current economic environment, businesses will need a strong corporate culture to fight the risk of fraud, bribery and corruption — a culture which, by necessity, must start at the top of an organization. A significant minority in management are still prepared to do whatever it takes to help their business survive and grow.

2. UNETHICAL PRACTICE CONTINUES

The 11th Global Fraud Survey conducted biennially (Ernst & Young Global Fraud Survey: Driving Ethical Growth - New Markets, New Challenges 2010.) 5, involved over 1,400 interviews with Chief Financial Officers (CFOs) and heads of internal audit, legal and compliance functions across 36 countries. The survey found that, globally, cases of significant fraud had increased from 13% in 2008 to 16% in 2010. In Western Europe, this figure more than doubled, rising from 10% to 21%.

Responses to fraud were found to be ad hoc and undeveloped, despite the rise in incidents., over half of respondents outside North America do not have a response framework for fraud allegations and over a quarter had not updated their fraud risk assessment since 2009. Management of fraud was also undeveloped., two in five respondents rarely conduct due diligence for fraud or corruption. Board’s are not being proactive when it comes to managing the risk of fraud., only 4 in 10 CFOs have been asked to review anti-fraud and corruption controls by the Board and 28% have been asked to produce a fraud risk assessment in the last 12 months. When asked whether the Board needs a more detailed understanding of the business if it is to be an effective safeguard against fraud, bribery and corrupt practices, half of respondents agreed globally, with this figure rising to almost 75% in the Far East region. Similarly, knowledge of anti-bribery policies amongst company lawyers was poor, with almost a quarter unaware of their company’s policy on facilitation payments.

The 2011 European Fraud Survey 6 reflects the views of more than 2,300 respondents — from the factory floor to the C-suite — in 25 countries. This survey was conducted in 2011 on behalf of Ernst & Young’s Fraud Investigation & Dispute Services practice. It contrasts the views found in the mature markets of Europe with those found in the developing markets on matters including employee perception of fraud, bribery and corruption, their 3 K.A. Nordstrom, J. Ridderstrale, Funky Business, Talent makes capital dance (Stockholm: Book house Publishing, 1999), 281-282.
companies’ responses to the challenges posed by these risks, and the response of regulators and law enforcement.

Participant profile — region and country, company size, role, industry:
Number of interviews (Region and country): Mature markets (1,335), Austria (103), France (101), Germany (105), Greece (102), Ireland (105), Italy (104), Netherlands (100), Norway (100), Portugal (102), Spain (103), Sweden (103), Switzerland (103) and UK (104).
Number of employees globally: above 5,000 (48%), 1,500 – 4,999 (22%), 1,000 – 1,499 (12%), 500 – 999 (11%), less than 500 (7%).
Role within organization: Board director (1%), Senior management (6%), Other management (23%), Other employee (67%), Other (3%).
Industry sector: Banking and capital markets (13%), Consumer products (13%), Manufacturing (13%), Health sciences (12%), Government and public sector (11%), Telecommunications, communications and entertainment (11%), Transportation (11%), Real estate and construction (5%), Extractive industries - oil, gas, mining, minerals (4%), Power and utilities (4%), Professional firms and services (3%).
Number of interviews (region and country): Emerging markets (1,030), Baltics (101), Croatia (100), Czech Republic (101), Hungary (103), Poland (108), Romania (104), Russia (108), Slovakia (100), Turkey (105), Ukraine (100).
To help their company survive or grow, more than a third of all respondents are prepared to offer cash payments, gifts or entertainment to win business. Respondents make little distinction between the actions that can be justified to save a business from collapse and those that can be justified to deliver growth.
While we might expect some people to be prepared to go to any lengths to save their business from failure, this same view of “acceptable” behavior persists even when business survival is not at stake. Most significantly, board-level and management employees are just as likely as other staff to view these actions as justifiable.
About a fifth of managers still say that they are justified in offering cash payments, gifts or entertainment if it will help to win business. Some are even prepared to misstate the company’s financial performance. This is truly disturbing coming from management. Only half of the asked managers would reject taking any of these actions to help the business survive or grow.
Given these results, it is not surprising that employees’ perceptions of the ethical standards of management are also negative. Of that respondents, 59% expect company managers to cut corners to meet targets when times are tough. Even management agrees, with half of our board-level and management interviewees saying that they would cut corners to meet targets.

Table 1: Management perceived to be likely to cut corners

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree %</th>
<th>Tend to agree %</th>
<th>Neither %</th>
<th>Tend to disagree %</th>
<th>Strongly disagree %</th>
<th>Don’t know %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board level / senior management</td>
<td>19</td>
<td>31</td>
<td>22</td>
<td>15</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Other management</td>
<td>19</td>
<td>37</td>
<td>18</td>
<td>15</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Other non-management employees</td>
<td>24</td>
<td>38</td>
<td>17</td>
<td>10</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
**Question**: To what extent do you agree or disagree that company management is likely to cut corners to meet targets when economic times are tough?

**Base**: All board level/senior management (172), Other management (537), All other non-management employees (1656).

What is more disturbing is that a quarter of respondents do not trust the management of their own company to behave ethically. If those responsible for setting an ethical tone in the organization cut corners, it is difficult to imagine how they will be able to positively influence the behavior of others.

One potential explanation for the shortcomings in management behavior may be that a third of respondents have seen employees with questionable ethical standards being promoted within their company. Given that corporate conduct is driven by individual actions, it is important to consider how to better promote and reward ethical behavior. One suggested approach is to link behavior to individual performance reviews.

### 3 BRIBERY AND CORRUPTION CONSIDERED COMMONPLACE

With such a high proportion of respondents prepared to do whatever it takes to succeed, one might expect an environment conducive to fraud, bribery and corruption. Respondents agree, with almost two-thirds telling us that bribery and corruption are widespread in the country where they are based.

Responses varied significantly by location. More than 80% of people in emerging markets saying that bribery and corruption are widespread, compared with half of those in mature markets. 40% say that the situation has become worse during the economic downturn. The scale of the task facing businesses and regulators is striking. More than a quarter of respondents (28%) told us that it is common practice in their sector to use bribes to win contracts. Only half of those we interviewed say that bribery and corruption is not widespread in their sector.

Even though these numbers are alarming, there is a notable difference between the 62% of people who think that bribery is common in their country and the 28% saying that it is common in their sector. This suggests a corruption perception gap, with individuals perhaps too optimistic about their own risk exposure.

One explanation for this difference may be the media focus on grand corruption — the corrupt conduct of politicians and other senior public sector officials — in contrast to the relative lack of attention focused on various business sectors.

#### 4 PERCEPTION GAP BETWEEN MATURE AND EMERGING MARKETS

<table>
<thead>
<tr>
<th>Bribery/corrupt practices happen widely in businesses in this country</th>
<th>% agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature markets</td>
<td>46</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>81</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>There has been an increase in corrupt practices due to the economic downturn</th>
<th>% agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature markets</td>
<td>33</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In our sector, it is common practice to use bribery to win contracts</th>
<th>% agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature markets</td>
<td>20</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>38</td>
</tr>
</tbody>
</table>
5. COMPANIES BLIND TO THE RISKS OF EXPANSION

When contemplating expansion into markets perceived to be at high risk of bribery and corruption, companies should conduct a thorough corruption risk assessment. However, only one-third of respondents recognize that investing in new markets can open their company to new risks.

Developing the right corporate culture helps companies be more profitable and provides sustainable competitive advantage. As much as half of the difference in operating profit between organizations can be attributed to effective cultures.\(^7\) The ethical tone of the organization must be set by senior management and established through frequent employee communication and training. A company's intolerance of impropriety should be widely communicated throughout the organization in a clear and unambiguous way. Training is a key part of an effective anti-bribery system, and the absence of training is regarded by regulators as unacceptable.

Companies should consider, as a minimum:

1. To what extent will expanding the business involve close relationships with government officials\(^8\): for example, in connection with public sector contracts, government approvals, permits or authorizations?
2. The remuneration and hospitality policies common in the target market. For example, are fees proportionate to the related services delivered? What level of expenditure on travel, gifts and entertainment is considered appropriate, and how does this compare with international business standards?
3. Whether third parties or agents will be necessary to conduct or obtain business.
   When dealing with agents or consultants, consider:
   1. Their ethical reputation and corporate governance structures.
   2. The strength of their internal controls.\(^9\)
   3. Contract provisions, including audit rights, to minimize the risk of bribes being paid on your organization's behalf and without your organization's knowledge.
   4. The business need for the organization's services, and detailed information on the services to be provided.

It is necessary to build a solid business foundation for turning to the ethics whenever possible. The grounds will usually be based on long-established ideas of the above directions in the field of human relations.\(^10\)

6. CONCLUSION

Companies are not doing enough to implement and communicate anti-fraud and anti-corruption measures. Lack of business ethics is first and foremost reason that will, in a “convenient” time, in an enterprise, company or any business entity, get to the scan-


dal and disorder of the business environment. An individual who lacks basic principles of personal business ethics, and has a total deficit of moral standards, is always ready to commit fraud, to put their personal interests above the collective, legal, above the customary norms of business ethics and human relations, disturb the business climate and atmosphere, to stagger other. Ethics is an individual building element of collective ethics, corporate ethics. A man without ethics is a personal business malignant point in the operations of each company, a point that always lurks to expand the whole system and procedures of the company. Lack of business ethics distort the usual flow of business, both in the community where the company is situated, and in the wider environment, and sometimes acts to the global economic and business trends.

The findings remain as relevant and business-critical today as they have ever been. They indicate that there remains a widespread tolerance of unethical behavior that goes to the very top of a business. They show that, across Europe, bribery and corruption are considered to be rife, while few individuals are willing to recognize that it could happen in their own industry sectors. Despite this, respondents indicate that there has been a decline across the board in the use of anti-fraud and anti-bribery measures precisely during a period when the incentives to act unethically have been the highest.

There remains, therefore, a real need for companies and those charged with their governance and oversight, to revisit their focus on the risks of fraud, bribery and corruption. Cross-border cooperation among enforcement agencies, raises the stakes even further. More robust anti-fraud and anti-corruption efforts are an imperative.

The picture of corporate ethics today, however, is not entirely negative. There are economic benefits for those companies with high ethical standards and not just serious commercial and legal risks for those without. There is an expectation that economic growth would not suffer as a result of the introduction of tougher anti-bribery legislation.

To promote ethical practices in business, the leadership of the organization must:

- Make ethical behavior a priority for the business and demonstrate its commitment to achieving this objective.
- Conduct a fraud, bribery and corruption risk assessment and identify any gaps in current policies and procedures.
- Where necessary, modify and develop policies and procedures.
- Implement changes paying particular attention to training:
  - Be sure that training is truly tailored and relevant, reflecting the issues and day-to-day problems that their employees are likely to encounter and how to address them.
  - Take a risk-focused approach to who should be trained, on what, in which manner and how often.
- Ensure that integrity is reflected in the appraisal system of the business.

These are largely commonsense measures that give employees a reason to care more about integrity by linking it to their work and their career advancement within the organization.

**BIBLIOGRAPHY:**


DISSOLUTION OF PARLIAMENT IN FUNCTION OF THE REALIZATION OF CONSTITUTIONALITY IN SERBIA

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Abstract: The main levers of power crystallized throughout history: the head of state, government and parliament. The head of state and parliament are indigenous and derive their legitimacy from the will of the people. Constitutions are paying special attention to the levers of power. Since the creation of the parliament to date, many times happened that Parliament rise above the citizens and their will so that constitution must provide the opportunity for the head of state so he can intervene, by prorogue. In Serbia, many times came to the dissolution of Parliament by the head of state before the end of the term, and the termination based on the other known bases.

Keywords: assembly, dissolution, constitution, president, government, country

1. THE ROLE OF PARLIAMENT IN GOVERNMENT

Parliament is the national representative. It had a different shape and role throughout history. Initially, parliament had consultative and advisory function. At the beginning of Greek democracy, parliament had an important role and attitudes of the Assembly were binding on the rulers (“voxpopuli, voxdei”). The adoption of the U.S. Constitution, Parliament (Congress) has become an important lever of power.1 The system of the separation of powers between the legislative, executive and judicial was established. For a long time, the rulers were passing laws, then Parliament together with the ruler, and finally, the parliament itself. Today’s ruler has significant powers to the parliament, such as the fact it can have a legislative initiative, may veto the law, to promulgate laws that may dissolve the parliament, under certain circumstances.

In practice, a parliamentary system was first constituted (the principle of cooperation between the government), then the presidential system (separation of the three powers) and the parliamentary system (union and government influence). The characteristic of the parliamentary system is a strong government, so it has the ability to interfere with the parliament and to require its dissolution from the head of state.2

Parliament is the basic and the most important factor in creating a legal order, and the easiest way is the adoption of a democratic constitution and good laws that are in accordance with the constitution. Laws must have an element of natural law in addition to elements of positive law.3 The main responsibility of parliament is constitutional and legislative,

1 Jovićić, Miodrag, Velikiustavnisistemi (Beograd, 1986), 77.
2 Jovićić, Miodrag, Leksikonsrpskeustavnosti 1804-1918 (Beograd, 1999), 197.
but nowadays the jurisdictions of parliament are increasing, and the most significant are planning, finance, human resource, political and other. The best is when the principle of a reciprocal relationship of the authorities and monitoring to insure that some authority is not moving away from its constitutional duties.

2. DISSOLUTION OF PARLIAMENT

Elected parliament ends with the completion of the term, by self-dissolution and dissolution.

There are different ways of dissolving parliament. In monarchies, the dissolution of parliament is done only by the will of the ruler. In a presidential system, there is no dissolution of parliament in the classical separation of powers. In democratic societies, the dissolution of parliament is normal and common.

In the pre-constitutional times, the ruler could dissolve parliament whenever he wanted, and that was often the case. With the advent of the constitution court subjectivity ceases in relation to the right to dissolve parliament. Some states provide for more stringent and precise conditions for the dissolution of parliament in case of the conflict between the government and parliament, and when parliament is not functioning in the long term, and the inability of forming government due to composition of the parliament, several obvious votes of no confidence to the government, obstruction of parliament from the opposition and the inability of passing budget and laws. In some countries, the mood of voters after local elections may be the reason for the dissolution of parliament.\footnote{Marković, Ratko, \textit{Ustavnopravo i političke institucije} (Beograd, 1995),378.}

Contemporary European countries have constitutionally established right of the head to dissolve parliament, as well as the process of dissolution. Dissolution of parliament could be achieved in a variety of ways:

a) Dissolution of the parliament after the end of the term prescribed by the Constitution is the way of ordinary termination and occurs without political tensions.

b) Dissolution of parliament by constitutional authority of the head of state upon the fulfillment of certain conditions. It is a very strong power that the Constitution gives to the head of state. This is not a common measure but often used.

c) Self-dissolution of parliament under the conditions determined by the parliament. Self-dissolution is very rare, and usually in the event of war.

d) Dissolution of parliament by virtue of the constitution when parliament dissolve, when it something like that is required by the head of the state, nor a parliament. The constitution prescribes the reasons. The Serbian constitution provides that the Serbian assembly dissolve \textit{ex constitucione} if voters do not recall the president as the National Assembly has initiated proceedings for his impeachment.

e) The dissolution of the assembly is a kind of dissolution when its work is finished; this is the common practice of temporary or constituent assemblies.

3. THE POSSIBILITY OF DISSOLUTION OF THE PARLIAMENT OF SERBIA

The development of constitutionalism in France, England and other countries transfers to Serbia by adapting local conditions. Serbia has rapidly built its political and legal sys-
tem and accepted the principle of constitutionalism and parliamentarianism. Some elements of the constitution are cited in Dusan’s Code. Since the time of Karadjordje, known as Black George, until now, the constitutional system of Serbia constantly improves and evolves, as evidenced by the fact that the last Serbian Constitution of 2006 is the seventeenth constitutional act. Since 1869, the National Assembly is the Serbian legislature. Since the beginning of constitutionality, two levers of power were permanently highlighted: the head of state (prince, king or president) and the assembly as a legislative body. Relations between the two authorities were in relative harmony (cohabitation), because there were frequent disagreements that culminated from the political disagreement and sharp warning up to the dissolution of parliament.

The role of the head of state – the prince over the assembly is regulated by the first Serbian constitution-Sretenjski Ustav. It was found that the prince “dissolves” National Assembly by its decree.5

Law on the National Assembly of 1858 gave to the prince the right to terminate the National Assembly. The constitutions of 1861 and 1888 and then the constitutions of 1901 and 1903 more accurately prescribe when and why the National Assembly is dissolved or adjourned. In Serbia, dissolution of Parliament happened many times, and the first time it was done in 1875. Aleksandar Obrenovic used the right of dissolution. The second decade of the twentieth century, the constitutional and civil order was an unusual period of many wars, defeats and victories. In the First World War Serbia joined with full state capacity, and came out of the war without a state.

Aleksandar I of Yugoslavia, also known as Alexander the Unifier used the right of dissolution twice, first in 1924, partially, and the second time in full, to suspend the constitution. In early 1931, he issued the Yugoslav constitution, the second and final constitution of the Kingdom of Yugoslavia, which reserved the right of dissolution.6

During socialist Yugoslavia up to the 1990 constitution of the Republic of Serbia, there were no signs of classical parliamentarism, because there was so-called unity of government in Parliament. It was not until the 1990 constitution, the constitutionality and sovereignty have been returned, and the president introduced the dissolution of the parliament. From the provisions of the constitution, we can see that the president of the republic exercises the right of dissolution of the assembly, on the proposal by the government; we are talking about harmonizing both bodies (the president and the government). The government’s will is of the initial character, because without a reasoned proposal of the government, no legislative body can be dissolved, also if the decision to dissolve is not made by the president. The president of the republic has to assess whether he is going to support the government or the national assembly. In this case, the president’s power is limited only in time of war, imminent threat of war or emergencies.

In practice regarding the application of the 1990 constitution of the Republic of Serbia three cases of dissolution of the National Assembly were recorded; when the President of the Republic of Serbia, Slobodan Milosevic, made decision to dissolve the national assembly in 20 October 1992, and 25 October 2000, when the decision was made by Milan Milutinovic the former president. These two decisions were made when presidents have accepted government’s rationale by which some political parties and their representatives

5 First “Serbian Constitution”, Article 85, 1835.
6 “Yugoslav Constitution”, Article 77, 1931.
in the assembly blocked the decision-making mechanism. The third time the National Assembly was dissolved in November 2003 according to the decision made by Natasa Micic (as President of the Assembly that was performing the duty of the President of the Republic). The government’s rationale was that the Assembly is unable to continue pursuing reforms because of disunity, bargaining over terms and forming coalitions that were not on the electoral will of citizens. The 2006 constitution is still in force along with the article 109 that regulates the dissolution.

Comparing the provisions of the 2000 and 2006 constitutions regarding assembly dissolve, it is evident that it is the same authority of the head of state, but there are some differences, since the 2006 constitution precisely delineate the situations in which the head of state has the narrowed authority to dissolve i.e. regarding the situations in which the head of the state shall dissolve the national assembly according to the principle of automatism. Two occasions when the national assembly may not be dissolved impose. In the first case, the government may propose the dissolution of the assembly if the proposal was submitted to the vote of no confidence or if the question of its confidence arises. This solution is in accordance with the standard of parliamentary democracy and ensures regularity and appropriateness of other institutes of parliamentarism such as parliamentary control over the government through a vote of no confidence. Except in this situation, the national assembly may not be dissolved during the war or emergencies, in order to eliminate potential abuse of state power in all public exigencies. In the second case, the president of the republic is obliged to dissolve the assembly if within 90 days from the date of constitution of government is not elected. This provides space for new parliamentary elections, which the president shall call, so they end no later than 60 days after the announcement. During the period of the dissolving of the national assembly up to the election i.e. the constitution of new one, it can only perform current and urgent tasks specified by law.

Boris Tadic, Serbian President, based on Article 109, paragraph 5 of the Constitution of the Republic of Serbia issued a decree on dissolving the parliament in 2008 according to the proposal of the government, and at the same time issued a decision on election of MPs.

4. RESUME

No public authority may be sovereign in the power-sharing system. Power and authority must be within morality, justice and laws. Institute of dissolution is a good balance of control and enforcement of the rule of law. Today, this institute serves to achieve the rule of law based on the will of the citizens. The head of the state dissolve the parliament so there would be no serious consequences for the realization of human rights, the functioning of government, not because of their own ideological complexes or self-interest.

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7 Stojanović, M. Dragan, Ustavopravoknjiga 2 (Sven: Niš, 2009), 275.
8 Đorđević, Srđan, O Mitrovdanskomustavu (Kragujevac:Pravnifakultet, 2009), 74-78.
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STRATEGIC PLANNING AND STRATEGIC MANAGEMENT

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Abstract: This paper concisely defines strategic planning as a process of systematic identification of opportunities and threats that lie in the future. Strategic management is presented as a continuous and iterative process whose purpose is to optimally prepare the organization to adequately respond to the changes that come from the environment. A well-arranged comparison of strategic planning and strategic management is herewith also presented and defined. Strategic planning and strategic management are a prerequisite for the survival and development of organizations in a market economy, so their emphasizing their importance is both logical and inevitable.

Keywords: strategic planning, strategic management, strategy, process.

1. STRATEGIC PLANNING AS A FUNCTION OF SUSTAINABLE COMPETITIVE ADVANTAGE OF AN ORGANIZATION

Strategic planning is the process by which we both implement and modernize the strategy when the need arises. Strategy shaping is influenced by numerous factors including: success factors, values and ambitions of management, responsibilities to the social environment, as well as the internal culture of the organization. In addition to this, it is also influenced by the general characteristics of the environment in which the organization exists: cultural, political, economic, technological, social, demographic, and other characteristics.

Strategic planning emerged in the sixties of the twentieth century and one can say that the impetus for the development of this concept of management systems is the saturation and decline in the growth of a certain number of companies.¹

George A. Steiner’s described strategic planning from different aspects in order for us to be able to fully understand it. First of all, strategic planning does not mean making future decisions, because decisions can be made only in the present. The essence of formal strategic planning is the systematic identification of both opportunities and threats that lie in the future. Second, strategic planning is a process that begins with identifying organizational goals. Third, strategic planning is a way of life. Fourth, strategic planning is a system of

interconnections in a strategic plan, medium-term programs and short-term budget and operational plans.

Directing management towards strategic planning was quite slow. It took ten years after the creation of this management system for it to begin to attract more attention and get implemented in the management of company development. Organizations can gain competitive advantage by utilizing their resources to provide customers with greater value than that offered by competitors. To create a sustainable competitive advantage, we need valuable resources, rare, irreplaceable, and resources that cannot be copied to perfection.2

2. ANALYSIS OF THE STRENGTHS AND WEAKNESSES OF STRATEGIC PLANNING

Table 1: Strengths and weaknesses of strategic planning3

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tbody>
<tr>
<td><strong>Opportunities to increase revenue:</strong> They are difficult to prove statistically, although it is clear that the prospects for income increase in the case of a planned, comprehensive and thoughtful business;</td>
<td><strong>Inflexibility of strategic planning:</strong> Strategic planning is a complex process, which can be suffocated by rigidly defined procedures and timetables; it consume a lot of valuable management’s time, creates a lot of useless paper and restricts creativity; because of all this strategic planning in the seventies came into disrepute, therefore, strategic planning must be elastic and not too formal;</td>
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<td><strong>Pressure for goal setting:</strong> Methods and models of strategic management force executives to consistently determine the objectives and strategies for establishing these goals; all this implies a more thoughtful and more targeted action;</td>
<td><strong>Disconnection</strong> between strategic (primary, long-term) planning comparing to developmental (short-term) and current (current, annual) planning; strategic plans are useless if not implemented by companies;</td>
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<tr>
<td><strong>More creativity and foresight:</strong> Strategic management forces management to think creatively; every single decision must be systematically checked and weighed;</td>
<td><strong>Excessive role of planners:</strong> Companies expect too much from current operational planners, expecting to become successful in strategic planning overnight; patience is required, it is necessary to acquire experience for some time; planners need further training; one should not immediately renounce strategic planning because it does not give immediate results;</td>
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<td><strong>Structure and integrity in the distribution of funds:</strong> Strategic management distributes on a case-by-case basis, determined by unrelated expenses and discounts to particular interests; therefore, this mode must be replaced by systematic strategic planning, tasks and costs must become an inseparable and essential element of planning;</td>
<td><strong>Unadjusted rewarding:</strong> Strategic planning cannot be successful if managers are rewarded only according to current results; the same is true for short terms of office of top management;</td>
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<td><strong>Compliance of guidance and directions throughout the organization:</strong> Strategic planning means goal setting and clear appropriation of strategies for achieving these goals; it reduces the likelihood of mistakes, surprises and unnecessary risks; available strategies are reviewed and checked on several levels within the organization thus ensuring conformity of the plans.</td>
<td><strong>Wrong philosophy of the top management:</strong> Strategic planning is an activity of top management and if they do not believe in it (different values, thinking), this kind of planning is doomed to failure.</td>
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2 Williams, Chuck., *The Principles of Management*, (Novi Sad:Data Status, 2010), 96.
3. STRATEGIC MANAGEMENT AS A FUNCTION OF IMPLEMENTATION OF MANAGEMENT PROCESS

Management process which includes involvement of organizations to develop strategic plans and their further application is called strategic management. It is a continuous and iterative process whose purpose is to optimally prepare the organization to adequately respond to the changes that come from the environment. According to Dan Schendel and Charles-Hofer, strategic management is based on the principle of defining the overall organizational structure of policy and strategy, together with the realization of the objectives.

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<th>STRATEGIC PLANNING</th>
<th>STRATEGIC MANAGEMENT</th>
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<tbody>
<tr>
<td>THE PROCESS OF ANALYSIS:</td>
<td>THE PROCESS OF SYNTHESIS:</td>
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<tr>
<td>Breaking up of purposes into goals</td>
<td>Based on creativity and intuition</td>
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<tr>
<td>Formalization of those steps into routine</td>
<td>Way out is a comprehensive view of the</td>
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<tr>
<td>tasks</td>
<td>enterprise</td>
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<tr>
<td>Prediction of the output of each task</td>
<td>General strategic direction and vision of</td>
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<td></td>
<td>the organization</td>
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<tr>
<td>The process of calculation and recalculation:</td>
<td>The process of seeing and managing:</td>
</tr>
<tr>
<td>Stems from the existing structure and</td>
<td>Informal imagining of strategy</td>
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<tr>
<td>functions</td>
<td>Encourages immediate / momentous learning</td>
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<tr>
<td>Stems from existing programs</td>
<td>and cognition</td>
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<td>Processes previous experience, does not</td>
<td>Creates new views and new combinations</td>
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<td>create anything new</td>
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The four key aspects of strategic management are: goal setting, strategy formulation, strategy implementation and strategic control, which gives management insight into the implementation process.

Setting goals gives the appropriateness to the organization’s activities and serves as coordination of all activities of all organizational units and individuals. As such, the objectives represent a kind of landmark in business. Their main characteristics are the temporal and spatial dimensions. They must be real, measurable and compatible with the mission in order to become the criteria for selecting appropriate strategies for their achievement. Managers who define plans and objectives of an organization must be able to align their strategic directions with the new risks and challenges, as the main prerequisite of modern business.5

4. STRATEGY AS THE FUNCTION OF ACHIEVING ORGANIZATION’S MISSION

According to professor B. Masic, PhD, strategy is a rational response of the organization to events from its environment in which it performs its core – business - and wider social mission. According to the systematic analysis and prediction of the environmental fac-

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4 Tavčar, M., Razsežnosti menadžmenta, (Koper: Visoka škola za menadžment 2000),112.
tors and on this basis its established vision, mission and objectives, strategy formulation is a selection of basic ways and means for achievement of these goals and missions of the organization.

Strategy as a general program defines goals of the organization through which they are achieved at the following levels:

1. at the corporate level (strategy formulated by the top management, which determines what should be business of the organization, what the objectives and expected results are, as well as how to allocate resources to achieve the objectives);
2. at the level of business units or types of business strategy (strategy addresses the issues of competitive advantage of business units on the market, identifying the target consumer groups and the allocation of resources within the business units);
3. at the functional level (strategy comprises business strategy of certain department in order to implement the strategy of business units, resulting in operational plans).

The position that the organization shall occupy in the future depends on the choice of corporate strategy and its implementation. There are three important approaches regarding corporate strategy:

1. Corporate portfolio approach;
2. The 'Five forces' model;
3. Business strategy (B-strategy).

Regarding corporate portfolio approach, top management evaluates all business units in line with the market and develop appropriate strategic goal of each unit separately. One of the most famous examples of this approach is the framework portfolio, i.e. BCG Matrix. It is focused on three aspects of the organization: the case, the market growth and the inflow or outflow of cash. The aim of the BCG Matrix is to establish a balance between organizational units that claim cash and the units that bring in cash. We distinguish four categories of organizational units:

- ‘troubled unit’ speaks of a relatively small share in a rapidly growing market; business is uncertain and expensive, it takes a huge investment just to maintain a tiny share of the market that will produce a low, possibly negative profit and cash flow; increasing the share market in relation to the leaders of this market requires further investment, but it can prove to be an opportunity if appropriate strategies and resources for its implementation are provided.
- ‘star’ has a relatively high share in a rapidly growing market; business is very profitable; in order to keep pace with the growth of the market it requires investment greater than the amount of cash that is being earned.
- ‘mature organizational unit’ reflects a relatively high share of the slowly developing market; business is profitable and is a source of extra cash; retaining our place on the market does not require large investments.
- ‘stagnating organizational unit’ represents a relatively small share of a slowly growing or even stagnating market; business is treated as a moderate user or supplier of cash.

Successful cycle requires that funds from mature organizational units and successful stagnating unit get invested in troubled organizational units to achieve a greater share in their market segments and become ‘stars.’ When the rate of market growth slows down, ‘stars’

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turn into mature organizational units that invest cash in the next generation of troubled organizational units giving them a possibility to increase their market share. The ‘five forces’ model implies the ability of an organization to be competitive in the market with its technical and economic resources. It is a model of the relationship between a manager of one organization and people from other organizations. The ‘five forces’ stem from the environment and each of them represents a threat to organization’s penetration of a new market, or preservation of the existing market share. These forces are: threat of new entrants in the market, bargaining power of customers, bargaining power of suppliers, threat of new products – substitutes, and rivalry among competitors. The aim is to analyze these forces and create a program through which the organization will affect them, and defend itself from them.

Business Strategy (abbreviated as B - strategy) implies the statement of the company on its core activities, and its principles and values, i.e. why it is in that particular line of work. Some of the existing business strategies are: B - strategy oriented towards shareholders, B - strategy oriented towards managers, B - strategy towards a limited number of interest groups, B – strategy oriented towards all stakeholders, B - strategy oriented towards social harmony, B - Rawlsian strategy; B - strategy oriented towards personal projects.

5. MODELS OF STRATEGY IMPLEMENTATION AND STRATEGIC CONTROL

Implementation of strategy depends on the structure of the organization. This means that it is necessary for changes in structure to be in line with the changes of the basic strategies of the organization. There are different models of strategy implementation. There is the so-called Chandler theory and the ‘seven S’ model.

- According to A.D. Chandler, organizations go through the following stages of development: movement of a unit towards functional unit, and then to multi-division structure. With the increase in the scope and needs of the organization, there follows the formation of companies with more departments and administrative headquarters dealing with coordination, specialization and standardization department. In the phase of retaining the initial product and creating the scale economy, suppliers of raw materials and finished products distributors align together. By moving goods and materials through various functional departments, the organization changes into a functional organization with operative departments. In the last phase, the organizational structure includes other types of industries, creating a company with several divisions, i.e. creating smaller companies that are responsible for short-term operational decisions.

- The ‘seven S model is used to present the adverse impact of the seven key factors in the introduction of changes in the organization. All the factors are equally important and mutually conditioned. These factors are: structure, strategy, system, style, staff, skills and superior goals. The success of any manager is reflected in his ability to keep the variables of this model in equilibrium.

Strategic control assists management in achieving the goals and strategies through monitoring and evaluation of the strategic management process. The process of strategic control involves three interrelated stages: measuring performance, comparison of the measured performance with the goals and standards, and predicting the necessary corrective
actions. Management must have the knowledge and ability to understand, create and implement strategic control in the process of strategic management. Informational support is extremely important from management information systems, management systems, decision support and expert systems.

6. CONCLUSION

Strategic planning is the process by which we both implement and modernize the strategy when the need arises. Strategy shaping is influenced by numerous factors. Apart from them, it is influenced by the general characteristics of the environment in which the organization exists: cultural, political, economic, technological, social, demographic, and others.

Strategijski menadžment je proces rukovođenja koji podrazumeva angažovanost organizacije na izradi strategijskih planova i njihovoj daljoj primeni. Strategic management is the management process that involves engagement of organizations in development of strategic plans and their further application. The four key aspects of strategic management are: goal setting, strategy formulation, strategy implementation and strategic control, which gives management insight into the implementation process.

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PHILOSOPHICAL AND METHODOLOGICAL ASPECT OF BUSINESS ACTIVITY RESEARCH OF THE INDUSTRIAL ENTERPRISE

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Abstract: It is revealed the importance of business activity and process of its formation which consists in consideration of such regulations on business activity which will consider various characteristics and the aspects of the activity received as a result of developed conditions of use of methodology, logic and science of science as a result studying and research. The Russian and foreign approaches to research of essence of teoretiko-methodological approach are considered. As the result methodological knowledge of essence of business activity of the enterprise defines through need of scientific justification central a component of carried-out scientific and practical research, namely competent formation of object and an object of research, identification of a scientific task and justification of problems, result formation, after essence definition, search of the solution of problems and confirmation of reality of the obtained data with the help of an assessment of productivity of the developed action.

Keywords: Business activity, methodology, theory, method.

Modern market relations, which emerged in Russia quite recently, make innovative development and effective functioning of an industrial enterprise quite necessary especially under the conditions of uncertainty and unpredictable nature of the external and internal environment. A quick and productive response to such changes is possible now only when rational decisions are being made resulting in the increase of production efficiency and growth of business activity of an enterprise. The importance of the problem discussed is explained not only by the importance of business activity for every managing subject, but also by the fact that the problem of business activity management has not been studied sufficiently yet because different authors consider this problem differently and its theoretical and practical value is seriously underestimated.

The purpose of methodological research of the importance of business activity and the process of its formation is to consider such propositions on business activity which will take into consideration its various characteristics and aspects resulting from the use of methodology, logic and science of science during the study and research. The philosophical methodology defines the tendency of scientific researches, allows to sort out various economic processes and facts. The essence of theoretical and methodological approach has been thoroughly studied by domestic and foreign scientists. Among them such authors, as: Kuzmichyov I.K. Burkin M. S., Proshin A.P. Kuznetsov V. I. should be mentioned.
According to I.K. Kuzmichyova, methodology is the science which deals with research methods, with the shortest ways to the essence of the studied phenomenon [1]. The author notes that the concept “methodology” has two meanings: the system of certain ways and methods applied in this or that sphere of action; the doctrine about this system, the general theory of a method, the theory in operation [1].

In its turn, a method [from the Greek word “methods” – the way of research, the theory, the doctrine] is the way, the method or the image of action. It is possible to claim that the main function of a method is its internal organization and the determination of the best direction of the cognition process or practical modification of this or that object. In some definitions the concept “method” is interpreted more widely. Thus, it is interpreted as a set of rules, methods of cognition and action, a system of instructions and requirements which direct to the solution of a task, to the achievement of a result. In other words, with correct saving of time and forces it will help to prevail by the shortest possible way. It is necessary to agree with I.K. Kuzmichev that only conscious application of methods makes the activity of the heads of enterprises more reasonable, economically expedient, competent and effective. [1]

The methodology was formed due to the need of generalization and development of those methods which were discovered in philosophy, science. Any scientific method is being developed on the basis of the theory which acts as its precondition. Efficiency of a method is caused by the fundamental nature of the theory which “contracts in a method”. The method, in its turn, is used for further development of science, theoretical knowledge [3].

On the basis of the analysis of existing methodological characteristics and provisions it is possible to formulate the main differences of such categories as a “theory” and “method” which are as following (fig. 1).

Proceeding from it, it is possible to tell that a theory to a certain degree can be both the precondition of method application and its result. Modern researchers single out the following main levels of methods and methodologies (table 1).

It is obvious that approaches of various disciplines are used when compound methodical complexes are being developed, thus interdisciplinary ideas appear. At present, synergetic and system approaches to research object are widely used. Objects can be considered from the point of view of approaches which can be interpreted in various terms.

At the phase of applied methodological research of the essence of business activity rather independent stable systems of cognition in the form of methodologies are formed. Methodology cannot be understood as a set of methods as methodology is a complex, dynamic, complete system of ways, coverage, the principles of different levels, heuristic opportunities, orientation, contents, structures, etc., it, as a special system of knowledge arising at methodological stages of cognition, is, to a great degree, a doctrine about methods (and theories), arising at the corresponding stages of cognition [2, 4, 5, 6].

Besides, methodology of cognition allows to create the idea of sequence and structure in the course of possible solutions of a scientific task, problem. As a result of methodological study the received knowledge is integrated into scientific bases of methodological science of empirical and theoretical level [6].

1. Empirical bases of methodological level and subject level do not differ from the point of the structure of elements, with the exceptions like: empirical facts at the stage of applied methodological cognition – methodological; at the stage of philosophical methodological cognition - philosophical and methodological.
2. Theoretical bases of methodological science include the main components: initial empirical bases; initial theoretical bases; methodical bases; methodological results [7].

The methodological cognition of the essence of business activity of the enterprise makes it necessary to give the scientific justification of the central components of the scientific and practical research, namely [fig. 1.1.2]: the research object is the enterprise or the organization the business activity of which is estimated; the research subject is something that receives a scientific explanation in the borders of an object, or that point of view at which the object, i.e. a complex of theoretical, methodological and practical problems of the assessment of the level of business activity of the industrial enterprise is studied.

The analysis of justifications of natural-scientific theories makes it necessary to consider theory from the point of view of logical system. The structure consists of starting propositions, terms and the offers of the theory closely connected by logical laws and rules. If as a result of application of logical methods the solution of a task is impossible, it is necessary to use fundamental bases of the theory, such as philosophical and methodological ones.

The ratio of the dialectical and materialistic principle is the basis of objective reality of cognition. Thus the theory must be an adequate change of objective reality, as well as consist only of true assumptions. Any contradictions and inaccuracies must be excluded. Therefore, probabilistic causality is generalization, and dynamic causality is specification.

Need, objectivity, efficiency, and also the quality of registration and analytical activity of the enterprise needed for the evaluation of business activity are characterized, to a great extent, by the level of standard, organizational, legal, methodological, information, technical and other kind of support.

Standard-legislative regulation plays a very important role. It states legality and correctness of the registration and analysis, at the same time it has a great impact on the nature of information base, organizational and methodical bases of analytical activity. As a result, the process of formation of business activity of the managing subject must correspond to standard legislative base of the subject where activity is carried out.

To study and solve the range of methodological problems arising in the process of special and scientific cognition it is necessary to use not only those means which these sciences apply, but, first of all, the means which have been developed by philosophy and science of science [8, 9].

However, the scientific and information base created so far does not contain full and exact theoretical data on the concept “business activity” that considerably constrains management process and study of business activity at the industrial enterprise, thus preventing its intensive economic development. The analysis of approaches to formation of the essence of business activity presented in this study from the point of view of philosophical and methodological aspect showed that its numerous theoretical, philosophical, methodological, applied and social aspects have not found a complete description yet. In particular, the following problems remain unsolved yet:

lack of the uniform, formulated, clear understanding and statement of the economic category “business activity of the industrial enterprise”;

inaccuracy of the definition of the research subject and research object of business activity;

ambiguous existing approaches, mechanisms and models of business activity formation of the industrial enterprise.
To eliminate the existing problems in understanding of the essence of business activity it is necessary to carry out systematization and description of all its fundamental characteristics, as well as specification of definitions of the economic category “business activity of the industrial enterprise” on macro and micro level from the various points and approaches.

**Table 1:** The main levels of methods and methodologies, their essence and main characteristics [2]

<table>
<thead>
<tr>
<th>№</th>
<th>Levels of methods and methodology</th>
<th>Essence and main characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The philosophical and methodological</td>
<td>includes the analysis of methods from the point of view of their world outlook and gnoseological validity.</td>
</tr>
<tr>
<td>2</td>
<td>The general scientific methodology</td>
<td>studies general scientific methods, including: supervision, experiment, general-logical methods of processing of facts and their registration, methods of creation of theories and hypotheses.</td>
</tr>
<tr>
<td>3</td>
<td>Private and scientific methods</td>
<td>are a specification of general scientific methods in relation to private disciplines.</td>
</tr>
<tr>
<td>4</td>
<td>Disciplinary methods</td>
<td>A system of the methods used in different scientific disciplines, included in science or arising at the border of sciences. All fundamental sciences represent a complex of disciplines which are designated by the specific subject and the peculiar methodology of research.</td>
</tr>
<tr>
<td>5</td>
<td>Methods of interdisciplinary research</td>
<td>set of a number of integrative, synthetic ways (arising as result of the merge of elements of various levels of methodology), aimed at borders of scientific disciplines. These methods are widely used in the implementation of comprehensive scientific programs.</td>
</tr>
</tbody>
</table>

**Figure 1:** The main differences of the concepts “theory” and “method”
2. Depending on the sphere of activity of the managing subject the determination of business activity taking into account current trends of economic doctrines is formed.
3. Lack of the approved modern mechanisms of an assessment of business activity of the industrial enterprise.
4. Development of the complex of actions directed at justification of the use of detailed and object approaches.

Intensity at the commercial market, ensuring perspective growth, achievement of high qualitative characteristics, mastering new markets, enhancement of the use of own and loan resources, self-development, self-control, self-change and self-movement as a result of changes of the external and internal environment.

Results can be received by a combination of existing approaches and methods or development of new combinations of methods, elements, and also completion of scientific and methodical approaches in definition of science, development of the theory, methods of the solution of a considered scientific problem or task, its assessment, application and approbation.

Search means the correct choice of competitive theories and methods, to be carried out by means of criteria.

Assessment of reality of the obtained data and conclusions as a result of validity confirmation.

Assessment of productivity of the developed action.

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CRIMINAL OFFENSES AGAINST PUBLIC HEALTH REGARDING USE OF NARCOTICS

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Abstract: In contemporary criminological literature as one of the major criminogenic factors is considered a drug. Drug addiction is a socio-pathological phenomenon in the today’s present time almost all over the world with a tendency to spread, and its presence in recent years, with the same tendencies, was observed in our country. It, in its complexity, opens up a number of issues including medical, sociological, criminological, legal, psychological, economic or other nature. Therefore, it requires complex and multidisciplinary approach to the study. Criminologists, crime and psychiatrists involved in the study of the problem of drug abuse and crime emphasize the close relationship between these two social phenomena, as well as their dependence. In recent years, the expansion of drug abuse and in our country is obvious, especially among young people. Our country is at a crossroad connecting Europe with the traditional producers of natural drugs in the Middle East. As substantial portion of delinquent activity is noted in our country, the issue of connections and relationships of drug abuse and crime is considered a significant and ongoing, even in our country.

Keywords: crime, crime factors, delinquency, drug abuse.

1. DRUG ADDICTION AS A CRIMINOGENIC FACTOR

From the definition of drug given by the World Health Organization, which states it is “a state of periodic or chronic intoxication detrimental to the individual and to society,” it appears that drug addiction is one of the socio-pathological phenomenon, and expresses a negative effect and achieves adverse consequences to the social values (health, working, social and family relations and property) and on a society as a whole. These harmful effects of drug abuse in the society depending on its extent. Where drug addiction is more widespread, where includes a large number of people, the harmful consequences in the society will be more serious and greater. Among socio-pathological phenomena, in addition to drug use, are prostitution, gambling, vagrancy, begging and alcoholism.
A number of authors has researched and studied the impact of socio-pathological phenomena of crime, as well as connections and relationships between these phenomena and criminal activity.
The effects of crime on socio-pathological phenomena, such as prostitution, gambling, vagrancy, begging, drug and alcohol addiction were studied, and it was found that these phenomena represent serious social problems from criminological aspects wherever they occur in a larger scope. Today, in almost all societies some measures against these phenomena are taken to the fight for their eradication or suppression, primarily due to the harmful effects of these socio-pathological phenomena, their links with crime, and because of their criminogenic effects to those who fall under their influence, and a wide circle of people.

It is believed that drug abuse can be a criminogenic factor, that certain persons can commit crimes such as theft, resale of drugs, prostitution, and more. L. N. Anisimov said, “is considered that correlation between drug use and delinquency could be defined by unlawful actions associated with the production, expansion of drug addiction, etc., and committing these offenses by drug addicts in order to reach the drug or funds to purchase them, and offenses committed under the direct influence of the drug on mental the condition of those who have used drugs.”

Meilner said, “Where there is a clear abuse of drugs, it is likely there is a crime.” Z. Nepot said, “Drug addiction is an indirect cause of crime: to come up drugs, drug addicts are stealing thus becoming the prey of dealers or blackmailers.” J. Relic said, “It is believed that law enforcement authorities believe that the use of drugs is in itself a powerful cause of crime.” The opinions and views of mentioned authors consider and determine drug abuse undoubtedly as an important criminogenic factor.

Drug addiction is a disease, a drug addict patient and most addicts have no regular employment and not working. To reach the necessary funds for the purchase of drugs, compelled by the drug addiction, they are forced to illegal ways to come up with the money, to commit offenses, to perform criminal activities. Drug addict with a strong physical dependence on drugs does not ask for the price, as it is not able to tolerate symptoms of abstinence syndrome (crisis).

2. RELATIONSHIP BETWEEN DRUG ADDICTION AND CRIME

M. Milutinovic said, “Relationship between addiction and crime can be seen from two sides as illegal production and supply of drugs and a pleasure that has no medical character. One is the illegal trade in drugs, and other usage and its impact on human behavior.” O. Peric said, “We have to differentiate between two types of crime, and accordingly the two groups of offenders. One aspect is the illegal production and sale of drugs, crime and other are drug addicts.” He considers the first form socially dangerous because it is designed and organized; while in the second case, we are talking about persons who need treatment, regardless of the type of delinquency, because due to their disease, the punishment is ineffective.

3. CRIMES RELATED TO PRODUCTION AND DRUG TRAFFICKING

The emergence and spread of drug abuse, the increase in drug trafficking and the spread of drug effects that are reflected in health, working ability, etc., not only in relation to individuals who use drugs but elsewhere, they demanded the limit and legal regulation of
the production, trade and use of drugs, whose purpose is to establish certain prohibitions, control systems and the prediction of sanctions for violations of these regulations.

That establishing of a special legal regime for drugs was carried out at national and international level, with the aim that through guiding allows the medical use of drugs and the use of a scientific nature, and to prevent abuse of the drug use.

Legal restrictions on the production and trade of drugs to medical and scientific purposes and the use is established according to the international and domestic legal instruments, with an important role being played by the UN, did every other production and sale of illegal drugs a crime. Consequently, there is an undoubted connection of illegal production, trade of drugs and crime as part of the connection and influence that exist between drug abuse and crime.

4. UNAUTHORIZED PRODUCTION, POSSESSION AND DISTRIBUTION OF NARCOTICS (ARTICLE 246 OF CC OF THE REPUBLIC OF SERBIA)

The offense consists in the unauthorized manufacture, processing, sale or offering for sale or purchase for the sale, disposal or transfer, offering to sell or purchase, or putting in traffic unauthorized substances or preparations declared as narcotics.

The crime is multifaceted, so it is alternatively set. It consists of the production, processing and marketing of drugs.

Production is planting, growing and harvesting of plants or taking extracts, i.e. substances that give (for example, opium from milk obtained from poppy shells). Processing is cleaning, grinding or crossing drugs plants i.e. extraction of its chemical constituents or physical processes and making products for use in the form of ampoules, pills, powder for dissolution, snorting or as materials for smoking with the addition of new components or not.

The marketing is done by selling, offering to sell, purchase or otherwise. Sales is giving drugs for money, offering to sell, attempt to sell, i.e. showing merchandise and requesting a specific price. Placing on the market otherwise is giving away for testing, exchange, etc. Enabling the marketing is performing by transferring, holding or keeping drugs to be put into circulation. Mediating in the sale is to look for buyers or dealers, deployment of seller to various locations, delivery of goods to retailers or collecting money from the resale, and more.

The drug has to be produced, processed or distribute unauthorized. Law on production and trade of drugs strictly regulates who and how can produced it and put it into circulation. Those who do not have a special permit under this law, is making a crime.

Consequence of the crime is a threat to human health in the form of an abstract threat. The offense is finished by taking measures that are put forward actions. Attempt to sell is a finished work, not stage in its execution.

Perpetrator is any person who is engaged in unauthorized production, processing and marketing or facilitating the marketing of drugs.

In terms of culpability, the intent is required, i.e. the awareness to produce, to process, or market drugs and to do so without authorization.

In addition to the sentence for this offense, the measures to seize drugs and the means for their processing may be imposed.
Qualified form of this offense can occur in three cases:

1) If the offense is committed by several joined persons;
2) If the offender has organized a network of dealers, and
3) If the offense is committed with a particularly dangerous drug.

1) Crime done by several joined persons; if two or more persons have previously agreed to jointly produce and put into circulation narcotics. It is possible to divide work based on agreement so that one side is producing, the other is transferring, while the third process and sale. Association must meet all requirements for the existence of the association and then jointly approach to production or distribution of drugs.

2) Organizing a network of dealers, engaging and connecting more people to sell drugs that are sent to different locations or more points in the city. These persons may or may not have known each other. Intermediaries are persons who maintain links between the retailer and the supplier i.e. organizer of the network.

3) Production or trade in particular hazardous drugs exist in the case of active substances that damage the health and may cause death in case of using greater doses. Dangerous drugs are considered opium, morphine and heroin.

For these serious forms of criminal acts, the intent is required in relation to qualified circumstances.

5. FACILITATING OF DRUG USAGE (ARTICLE 247 OF THE CC OF THE REPUBLIC OF SERBIA)

The crime consists in specifying the enjoyment of narcotics, giving the narcotics people to take, or placing drugs at the disposal for taking drugs or, in turn, enabling another person to enjoy narcotics.

Execution is enabling or aiding another person to enjoy drugs.

Lead someone into taking drugs; to begin or to continue. This can be done by persuasion, conjuring feelings during intoxication, misleading by citing the healing effects of drugs, etc. Giving drugs or giving away for free or for a service.

Enabling available space means to assign to one or more persons rooms to use them for drug abuse. The assignment can be one-time or for a long time. It also means allowing people to take drugs in the room in the presence of the owner or user of the premises. Giving or assignment may be with or without a fee. Under the room, we mean flat, part of the apartment, bedroom, basement, attic, cabin, shed, cottage or any other enclosed and confined space that is not accessible without removing the obstacles. Facilitating the use of drugs in other ways, for example, safekeeping while other taking drugs, lending tools for bringing drugs into the body, to correlate with other drug users, and so on.

The offense has finished inducing to drug abuse, i.e. facilitating taking drugs by providing premises or otherwise, regardless whether there was or not taking drugs and regardless of the fact, how many people were.

Perpetrator can be any person and in terms of culpability, the intent is required.

In addition to the penalty for this crime, a measure of seizure narcotics is usually imposed.

The qualified form of this part exists in the following cases:

1) If the offense is committed against a minor;
2) If it is done by several persons;
3) If enables the use of highly dangerous drugs, and
4) If there are particularly serious consequences.
1) The crime against a minor is committed in case of facilitating the use of drugs was carried out towards a person less than 18 years, including the children.
2) If several persons done the crime, when more than five persons referred to fruition or were given room to use. It is irrelevant whether the guidance and providing facilities was done individually or as a group with respect to all at once.
3) Enabling the usage of particularly dangerous drugs exists when the subject of the crime is opium, morphine or heroin, which can disrupt human health or cause death.
4) Particularly serious consequences as a result of drug use, the serious health damage that cause death of the person who is entitled to use drugs, suicide attempts, mental derangement, the attack on the life of another person, and so on.
Qualifying conditions in the first three cases must be covered with the intent, while in relation to serious consequences there should be involuntariness.
In addition to the penalty for qualified work in any form, confiscation of narcotics is obligatory.

6. JUDICIAL AND PSYCHIATRIC ASPECTS OF DRUG ADDICTION

Numerous characteristics and properties of drug abuse, especially those that are the main diagnostic criteria often lead drug addicts to court proceedings. These are primarily psychological symptoms and phenomena that changed the system of values and behavior of the patient but the number of changes of physical and neurological status, as well as social and situational circumstances in which drug addict exist.
From the standpoint of statutory regulations, drug addiction is classified as a mental illness, particularly in cases where there are clear manifestos, clinical signs, and the phenomenon of addiction. Certain difficulties cause the need to divide drug addiction in groups of permanent or temporary mental illness, which in the cases of addiction is harder to refine compared to other groups of mental disorders. The permanence or temporariness of drug abuse can affect a number of factors that will cause termination or continuation of the ongoing use of psychoactive substances, and thus give it a more durable and more attached character. This can lead to the position that, at the time of expert analysis, it is not possible to fully ascertain to which group of mental disorders (in relation to the law), the dependence should be classified. The probable reason for this dilemma is some anachronism of applicable legislation (classification of mental disorders in the “permanent or temporary mental illness, temporary mental disorder or mental retardation in development”), and uncertainty about the therapeutic success and opportunities that an expert cannot observe in the case of addiction.
Giving an expert opinion in the court procedure is giving the expertise on the state of mental health of the tested persons and establishing links between psychological status and procedure of such persons and their (in) abilities relevant for the legal process that is subject to the interests of justice. In this way, the expert provides technical assistance to those who pass judgment, entering a psychiatric essence of what has already happened or what will have a legal significance in the future.
Forensic-psychiatric significance of addiction can be observed from the criminal law and civil law point of view.
7. CRIMINAL AND LEGAL ASPECTS OF DRUG ADDICTION

The importance of drug abuse, i.e. drug addicts, from the criminal-legal point of view is primarily seen in the legal institutions such as the assessment of drug accountability of perpetrators of crime and security of medical nature. Accountability, as a legal matter, from the psychiatric and psychological point of view is the ability to understand the significant part of the ability to control the behavior at the time of committing the crime. In other words, it involves the ability to reason and the ability to make decisions, based on the actual ability of a person.

Medical security measures, in terms of drug abuse, are clearly separated from other forms of legal treatment of criminal offenders, where it was noted the existence of a mental disorder. This suggests that, and the point of view of jurisprudence, there is a separation of drug and alcohol abuse of other mental disorders, particularly in relation to the taking of appropriate therapeutic and socio-rehabilitative measures and procedures. These measures (measures of compulsory psychiatric treatment of drug addicts and alcoholics), in relation to the existing legal processes can be realized by treatment and confinement in a medical institution or psychiatric treatment.

The existence of a compelling need to keep using drugs creates a desire or sense of compulsion to drug procurement and re-taking. This significantly changes the system of values and behavior of addicts and their overall activity focuses on finding ways to get the drugs. When their financial reserves are exhausted, addicts often take illegal and legally sanctioned procedures in criminal matters (committing various crimes).

Although the drug addicts can be perpetrators of different types of crime, globally they can be classified into two major groups:
The first group consists of real drug addicts and is guided by the basic phenomenon of drug abuse - a craving to take the drug again. In order to provide the means and ways to purchase the drug, various property crimes, crimes of fraud, forgery, and rarely violent behavior or offenses against life and body, which are not typical of drug offenses, occur. The second group of offenses relates to the production and sale of narcotics and it is significantly less related to the addicts. If addicts make these crimes, they are often in the function of finding opportunities to provide affordable drugs for themselves and are not motivated to earn money and material benefits of the drug trade.

Among the many factors, from the impact to drug accountability assessment, of the particular importance is determining whether it is a classic addiction (habituation), or used substance, the evolution of the disease and evaluation of personality and its characteristics, where the position of clinical psychologists stands out in the process and a team of experts who participated in the expert report. It is necessary to consider ways and dynamics of criminal behavior, as well as determination of the stage in which a drug addict was, and that is one of the goals of forensic psychiatric expertise.

In order to determine the accountability of drug addicts, the practitioners often meet following circumstances:
1) Committing criminal acts under the influence of drugs. Assessment of mental capacity will depend on the type of drug, dose taken, taking into account the chronological relationship between drug use and execution of the crime, and all other factors relevant to the assessment of mental state and accountability of drug addict. In principle, for crimes perpetrated in this phase, a mental capacity has been reduced, once in full (unaccount-
ability), which requires individual assessment and treatment. This principle can be applied only in situations where there is addiction i.e. where there is the disease of addiction and its symptoms. However, when it is about individual usage of the drugs without classic addiction, for the expression of criminal behavior there is a criminal responsibility of perpetrator in such cases.

2) If the crimes occurred at the stage of abstinence syndrome, it is necessary to determine its characteristics (whether there is a psychological or a physical dependence, or there are all these symptoms at the same time), in order to consider the ability of reasoning and decision-making. Accountability is a period of abstinence syndrome, especially in cases of criminal acts in order to obtain drugs, reduced a bit or in part, in terms of unaccountability. As in other cases, the assessment must be individual, with the necessity of exploring the personality, but also other important elements, especially physical condition of the patient at the time of the crime.

3) For criminal acts made under prolonged abstinence syndrome, or a longer period after the establishment of abstinence, there may be prolonged physical addiction, which to a lesser degree may reduce adequate control of the patient's behavior. In general, for crimes created in this phase, accountability is maintained or reduced in an irrelevant extent. Security measure of compulsory psychiatric treatment of drug users, as well as forms of criminal sanctions stemmed from the need of the society to protect, in a specific way, against the replication of socially dangerous actions of these patients, but also as an expression of desire to give them the opportunity for adequate psychiatric treatment and rehabilitation, rather than sent drug addicts to prison.

In order to pronounce these measures in the court proceedings, it is necessary to establish the existence of drug offender, as well as to establish the existence of a social threat to the environment, with a mentally incompetent or greatly diminished accountability of perpetrator. Under these conditions, treatment may be proposed in hospital or outside of hospital and mandatory treatment as a favorable form of treatment of the mentally ill and even drug addicts.

In recent years, particularly significant place are taking juvenile offenders who are in contact with various narcotics. Due to their age, they still lack adequate structure and personality, but also the specific criminal legal position, so this area deserves considerable attention and interest from theoretical and practical point of view. Exactly this kind of specificity of juvenile drug addicts - crime offenders, imposes the necessity of teamwork, in which, apart from a forensic psychiatrist, an important place has a clinical psychologist. In these proceedings, the focus is on the level of psychological and physical maturity of the juvenile, which is relevant for the implementation of possible corrective measures that may be proposed.

8. CIVIL AND LEGAL ASPECTS OF DRUG ADDICTION

Drug addiction i.e. drug addicts are much less common in civil proceedings before a court, which is the likely reason for a seemingly minor civil legal significance of drug addicts in relation to criminal law implications. However, there are more civil legal problems related to this group of mental disorders that occur as a result of drug addiction.

In the civil legal area, drug abuse is often seen from the perspective of the business ability of the patients or the perception of their own ability to care for themselves, their rights
and interests. In accordance with the irresistible need to get addicted to drugs, frequently, alienating their family or property, and often for much less value then real, which may become the subject of court proceedings.

In addition to the family, in the protection of the rights and interests of patients and the environment, it is necessary to include specific social institutions (social welfare, educational institution, etc.) in order to create conditions for better prevention and better preconditions and psycho-social rehabilitation of patients.

Drug addicts in civil proceedings may encounter in divorce proceedings and in cases of determination the ability to complete the assessment of parental rights, which requires teamwork in diagnosis.

9. RESUME

The health is the most important element of human life, which leads to a numerous investigations of that area. Healthy people have the will to live, are vital and experience a sense of well-being. A healthy person can be called only person with the established physical and mental balance.

Tension and negative energy as a consequence of modern life sometimes lead to drug addiction.

Drug addiction is a socio-pathological phenomenon in various forms, in many ways, has a negative effect, and achieves serious consequences in society including the nation’s health, ability to work, cultural and moral values, etc., leaving more or less severely negative effects. It is widespread throughout the world especially among the youth, with the present tendency to spread, and our country is not exemption.

Despite the efforts of almost all countries, with a particularly important role of the UN, to limit the use of drugs to medical and scientific purposes, illegal production and sale of drugs currently are characterized by expansion on a global scale, which contributes to the spread of drug addiction.

Drug addiction is a disease of the person who is abusing drugs and socio-pathological phenomena, but an undoubtedly important criminogenic factor. Drug abuse in most cases suggests and leads drug addicts to engage in criminal activities.

Drug abuse/crime ratio can be viewed from two sides, as illicit production and trafficking of drugs, and the drug abuse that leads to criminal behavior.

The production and distribution of drugs in today’s world are legally restricted to scientific, medical, and pharmacological needs and any other production and sale is prohibited, incriminating activity, which is closely associated with drug addiction.

Due to the existing legal prohibition, and since the illicit production of and sale of drugs brings big money, this activity takes place conspicuously and in an extremely organized way. Criminal organizations engaged in the production and trafficking of drugs are characterized by a high degree of organization, mobility and large radius of action, which typically involves several countries, and this criminal activity has the character of international crime.

1 Kastratović, Edita, Radosavljević, Života, Radosavljević, Milan, Dragić, Milan, Bešić, Cariša

The characteristic of this criminal activity is that it is very difficult to detect and suppress it, because drug addiction causes cooperation between delinquent and victims - drug addicts. Therefore, this criminal activity is a particularly dangerous form of crime, because the crime is largely conditioned by drug abuse and drug crime.

In the scope of crime perpetrated by drug addicts, we should distinguish criminal activity in order to get to the drug, or for the purchase of drugs and criminal activity performed under the direct influence of the drug, which is not aimed at obtaining the drug, but it is the result of the influence of drugs.

The cited criminal law and civil law aspects of drug addiction emphasize that mental disorder has not only medical, but also the broader social significance through the many negative socio - legal implications that addiction brings. All this leads to a broader and more complex approach to this problem and a need for engagement not only medical, especially psychiatric services, but the society as a whole and its institutions.

BYBLOGIOGRAPHY:

CAUSES, EXTENT AND WAY OUT OF THE GLOBAL FINANCIAL CRISIS

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Abstract: There is no clear and unequivocal conceptual content of the term crisis, but there are many and often mutually different interpretations.
Crisis phenomenon has aroused the attention of a large number of researchers from different fields (economics, history, politics, medicine, ecology, psychology, etc.) so the concept of crisis is often used in different meanings for different research fields: psychology of the crisis of personality, medicine on a crisis as the peak of illness, and the ecology of thought to the critical vulnerability of the environment, and so on.
The financial crisis has primarily occurred with the collapse of the U.S. mortgage lending market, quickly spread around the world, and in addition to the financial and affected real sector too. Causes of the crisis range from systemic characteristics and institutional characteristics of the economy up to the inadequate economic policies and the greed of some groups, in particular financial institutions and companies. In today’s world, financial transactions far exceed the value of world trade, a phenomenon known as the financialization, which results in a transfer of income from the real to the financial sector. Measures taken to overcome the crisis are of historic importance because the future configuration of the global financial and economic system will depend on their effectiveness.

Keywords: management, financial crisis, budget deficit, financialization, risk, research fields, economy science, psychology

1. INTRODUCTION

Pol t’Hart gave the contemporary definition of crisis: Crisis is a serious threat to the basic structures or the fundamental values and norms of the social system which, in terms of time pressure and highly uncertain circumstances, requires making critical decisions.”
This definition has two important characteristics.
First, it states that it can be applied to all kinds of disturbances (environmental threats, economic crisis, conflicts within states, riots, wars, explosions, factories and natural disasters).
Second, this definition focuses our attention on decision-making: the crisis is seen as an opportunity to make critical decisions.
Although this definition is the most acceptable one, it is not perfect. Who has the power to decide whether a process is an improvement or disruption of normalcy? It is loaded with
the return to normalcy and order. It does not solve the problem of subjectivity, because we can talk about the crisis only if the participants perceive the given situation as a crisis (so-called Thomas’s theorem).

A crisis occurs when the institutional structure of the social system experience relatively strong decline of legitimacy, while its central service functions are weakened. During the crisis, political and social trust disappears relatively quickly. It is not understood as an almost state (the result), but as a process that has no clear beginning. The crisis can be felt in the future. The process of the disorder is rooted in a combination of exogenous and endogenous factors. For an organization, the crisis is an environment in which cannot normally operate. The crisis threatens the viability of the organization, preventing achievement of goals, and even survival in some cases.

2. CHARACTERISTICS OF CRISIS

The main characteristics that are common to all crises are:

Unexpectedness
When a crisis occurs, it is certainly unexpected, although some features of a crisis could be clearly visible prior to its creation. Few crises act without any warning or sign. The degree of predictability varies as to whether the leadership really cannot predict the crisis, or is unaware of upcoming danger. Among the crises that leadership cannot easily predict are terrorist attacks. There are crises that are surprising for leadership that are not prepared in their immediate vicinity, but outside of it, for example, in the media, government, and others.

Unreadiness
Managers are often reluctant, sometimes unaware of the crisis, which significantly contributes to the fact that the environment is both complex and not sufficiently reliable. In the modern world full of information, managers hardly get enough quality information for decision-making. In order to reduce reluctance and uncertainty as much as possible, they often use statistical assessment of potentially hazardous and critical events. They must then take into account the fact there are events that are unlikely, but bear crisis with major consequences.

Time pressure
The crisis is a test of management skills because in the conditions of unpreparedness and the apparent unexpectedness, decision-making faster than usual is required from manager, which is a highly stressful situation. Therefore, for successful crisis management it is necessary managers to be aware of and comply with them in designing appropriate management programs - primarily at building a system to facilitate the detection and emergency planning. ¹

Following the greatest economic crisis of all time, known as the Great Depression, which lasted from 1929 up to 1933, the crisis are occurring often: big debt crisis in 1982, Wall Street crash in 1987, Scandinavian crises (Sweden, Norway, Finland) in 1991, Mexican Tequila crisis in 1994, The Asian crisis (Japan, Thailand, Indonesia, South Korea) in 1997, the

¹ Oskar Kovač, “Uzroci i mogući koncepti rešavanja svetske finansijske krize”, NSPM, oktobar 2009.
Russian crisis in 1999, the Brazilian crisis in 1999, the dot-com speculative bubble in 2000, Argentina’s crisis in period 2001-2002, and the latest global crisis in 2008. Most crisis since the Great Depression had a local or regional character, and the most recent crisis, in 2008 was primarily developed in the United States and spread worldwide. Many are entitled to ask whether it is possible that the departure from the scene of most of the witnesses of the environmental severity and scale of the Great Depression the world has forgotten the consequences and easily allow that situation again, expressing concern whether the economics lost its instinct for danger, or has not developed mechanisms for the anticipation of the crisis indicators and measures for its effective prevention. The question is whether the future is, especially the crisis, possible to predict one of the intriguing questions of our time. As recognized by Robert Lucas, Nobel laureate, economists do not have a formula to reliably predict the moment when a financial bubble is going to burst, and if they have, that would change nothing, because the information people would immediately incorporate into their decisions, and so the crisis would occur when the model indicated. Finally, it should be noted that the effects of the crisis are asymmetric, both geographically and territorially.²

3. KNOWN INDICATORS OF GLOBAL EQUITY INDEXES

If you look at the two, perhaps the most important global equity indexes, Dow Jones Industrial Average’s, which shows stock prices of the top 30 U.S. companies (Figure 1), and the broader index S&P 500 (Figure 2), which includes shares of the top 500 global companies, their comparison with simplest technical indicator of moving average 200 (Moving Averages - MA 200), which indicates a change of trend that is changing when the index starts to move above or below the MA 200, it can be seen that in mid-2008 both indices are entered in the primary negative trend. The negative trend continued until August 2009, when once again primary upward trend was recorded, with fluctuations in the mid-2010, but with the continuation of the trend. Since August 2011, the stock market, as measured by these indexes, was falling again for two months, after which got into a slight, but unsure growth.

Figure 1: Dow Jones Industrial Average’s (www.YahooFinance.com, 2012.)

Historically, S&P 500 shows a steady moderate growth in the ‘90s of the twentieth century, and since 1995, the market began to grow rapidly, resulting in the collapse of the dot-com stocks in 2000. From 2003, the market continued to grow, until the new fall in 2008, and the re-growth in August 2009. Figure 3 is using MA 400, in order to better understand the trend. It is interesting that in the period 2000–2007, there have been formed double figures of the top and the bottom of almost identical values, and it remains to be seen whether the new trend will surpass previous peaks, which would mean further market growth.

Not ignoring the shortcomings of technical analysis that indicates the change in trend, the approach towards the moving average of the index and fall of its value below the moving average, indicates a change of a trend or a change in the expectations of market participants. In other words, technical indicators can identify changes in the expectations of market participants, where the prevailing pessimism results in a drop in prices (downward trend), and the optimism results in a growing trend.
4. OPINIONS ON THE ECONOMIC SCIENCE TO CRISIS THROUGHOUT HISTORY

According to classical economic theory by Adam Smith (1723-1790), the “invisible hand” of the market is sufficient to ensure economic stability and full employment. Rational actors who carry out transactions of which have economic benefits manage the economy. Thus, an employee who is willing to work at a price that is less than the produced, provides business to itself and capitalist who was hired him to make a profit. On the other hand, those who are looking for an unreasonably high wages will only be out of work and such unemployment is voluntary. The moment they reduce their requirements, they will be employed. In other words, the mechanism of the free market is perfect and stable, so there is no need for the involvement of the state. There is a misconception that Smith, as a supporter of the market system, denied any state role. On the contrary, Smith believed that the government could bring great benefits to economic life, especially for the protection of contracts and patents, public education for the poor, infrastructure projects, ensuring peace, easy taxes and a proper administration of justice. Everything else, according to Smith, brings the natural order of things. Believing in perfect functioning of the invisible hand, Adam Smith did not bother to explain the ups and downs of the economy.3

According to the neoclassical school of economics, which occurs in the 19th century, the crisis in the real and the financial sectors, and macroeconomic imbalances are not possible because the rational behavior of economic entities and perfect functioning of the commodity and financial markets automatically remove each such imbalance. Neoclassics believe that on money and capital markets there is equal information to all stakeholders and there is no moral hazard, and that there is a perfect competition on the labor market, where no one can request and receive a higher salary than the equilibrium (or will remain unemployed), with a homogeneous and perfectly mobile working power. Producers and consumers are perfectly rational, perfectly familiar with all the constraints, structure of the market, and are able to reliably predict the future. Under the conditions of perfect competition, which includes the huge number of buyers and sellers who individually can affect price, perfect usage of the information, which means that everyone knows all the information on requested and offered products, assuming they all have equal opportunities to predictions, no one can gain a competitive advantage on the basis of above-average good anticipation of the future. Under these assumptions, the general equilibrium in an economy that does not require the intervention of economic policy is guaranteed. As the market is equal to the sum of the individual participants, participants seek to optimize their market position of a product tends to equilibrium. According to the neoclassical theory, recessions are possible and occur due to sectoral imbalances, but in these cases, the self-correcting mechanisms trigger that put back the market into balance. In other words, the problems at the macro level do not exist, because even though individual market may be out of balance, at the aggregate level, the balance is guaranteed. Since according to the neoclassical assumptions the markets are perfect, recessions are by definition short-lived. Based on the study of the devastating effects of an unprecedented economic crisis called the Great Depression, John Maynard Keynes, 1883-1946 in his capital work „The General Theory of Employment, Interest and Money“, opposed the neoclassical general equilibrium model. Keynes believed that not only rational individuals handle the economy, and

3 Džordž Akerlof, Robert Šiler, Životni duh (Beograd: Službeni glasnik, 2010).
the overall (aggregate) consumption divided into personal, investment and government spending. According to him, the investment is undertaken based on the profit that entrepreneurs expect. The drop in demand in the market of consumer products means fewer sales, and consequently falling profits, which results in lowering demand for investment goods. Less investment means less production, less employment, the population becomes poorer, which further leads to a decrease in personal consumption. The financial and economic crisis are the result of deterioration in the real sector of developed countries, which in the last decade recorded slower growth in gross domestic product. Thus, in the period 2002-2011 average growth rate of GDP in the U.S. was only 1.6%, in Japan about 1%, in the euro area 1.3%, while at the same time, China recorded an average increase of almost 10%. Decline in productivity in developed countries was recorded long before the onset of the crisis and the decline in employment and wage levels.

The volume of financial transactions is still well above the value of productive investments. Contrary to the ruling modern financial theory, according to which the basic functions of financial markets is efficient risk diversification and the efficient allocation of resources, financial markets have become a purpose of themselves. During the first eight decades of the twentieth century, financial assets grew at the same pace as the global GDP, followed by the ratio of the value of global financial assets and the annual world gross domestic product has increased, so has grown to nearly 442% in 2007. In other words, the volume of transactions in the global financial markets far exceed the value of world trade, which leads to the conclusion that the real economy has become “a satellite” of the financial sector. Separation between the real and financial sectors is called the financialization in the literature. The consequences of the financialization are growing income transfer from the real to the financial sector, increasing income inequality and the growing influence of financial incentive to manage companies. When the price of certain financial assets derive from relations with the prices of financial assets without any connection with the situation and developments in the real part of the economy, “bubbles” on the basis of unrealistic expectations create that mark the beginning of the financial crisis.

5. POSSIBLE SOLUTIONS TO OVERCOME THE GLOBAL FINANCIAL CRISIS

Upon the occurrence of the insolvency of major U.S. banks and other financial institutions, a stabilization of financial markets with a number of measures has been attempted. Government intervention included the provision of guarantees for interbank transactions and loans to large companies, increasing the amount of guaranteed deposits, issuing government bonds. Re-capitalization of banks and fiscal stimulation of demand in the real economy has led to an increase in the budget deficit to gross domestic product of the United States. Because the U.S. dollar remains the world’s main currency in international payments, is main currency in foreign exchange reserves of many countries, and the fact that over 70% of the issued $100 bills never come back to the U.S., funding of the huge trade deficit is possible by printing dollars without the risk of inflation. Therefore, the dollar in a way has become the most important U.S. export product, and the U.S., due to the huge market, the largest trading partner of many countries. In other words, the U.S. can

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afford large trade deficits and balance of payments because other countries like to go with them to the surplus thus increasing its foreign exchange reserves.\(^5\)

It can be said that after the Great Depression, the measures of fiscal policy (public spending, taxation and debt management), then promoted by John Maynard Keynes in this crisis regained its importance. The fiscal policy of many countries in this crisis is aimed at stimulating economic activity by increasing the demand, job creation and investment in infrastructure (roads, energy, gas, etc.), fostering the development of small and medium-sized enterprises, encouraging consumption by reducing taxes and contributions on personal income, subsidizing consumer loans and corporate loans of citizens, social assistance to unemployed and socially vulnerable category of people. In some countries, an important part of recovery plans was an allocation of significant resources to research and development, technology and education projects.

The crisis has highlighted the need for the constitution of new global representative body at the level of heads of state and government to coordinate the functioning of the global economic system (to direct economic and social development, competition, regulation of financial markets, environment, global warming, etc.). It also raised the question of the necessity of reforming institutions such as the World Bank and the International Monetary Fund. There was the need for harmonization of regulatory systems to ensure the reliability of financial products, particularly financial derivatives. Particularly important is the regulation of financial markets, which should adequately protect the investors. It is necessary to take care not to stifle “creativity” in these markets. A fuller and more effective regulation should include the credit rating agency, where you can hear the voices that indicate to the necessity of forming a reputable institution of this type in the euro zone.

In order to provide a better system of protection against risks than foreign exchange reserves, a new global reserve system based on the significantly increased role of special drawing rights is proposed. In particular, it focuses on the role of central banks in ensuring price stability, maintaining the financial stability of capital flows, the adequacy of exchange rates of national currencies to the achievement of sustainable economic growth.

In order to reduce the volume of issues in the international financial system, it is necessary to establish a commonly accepted mechanism for restructuring the debt of states and harmonize national rules on resolving disputes regarding cross-border investment.\(^6\)

Five necessary measures necessary for the euro zone to survive are (1) making programs to reduce excessive government debt, (2) aggressive plan to reduce the budget deficit in the near future, 3) support for the monetary policy by the European Central Bank (4) the introduction of mechanisms to encourage long-term fiscal sustainability, and (5) institutional changes that reduces the scope for excessive borrowing and causing instability in the financial sector.

### 6. RESUME

The global financial and economic crisis has brought a lot of trouble: a decline in production in many countries, especially the decline in housing construction and other related industries, the decline in employment, the outflow of foreign capital, a lack of trust in

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financial markets and the consequent fall in prices, stagnant growth and decline of social products in many countries. As the financial and economic crisis has affected many countries, the elimination of its consequences should provide global solutions. In conditions of high flow integration in the world economy, it is necessary to establish competent authorities and to establish methods and standards to prevent and deal with the effect of financial and economic crises.

Many countries immediately after the outbreak of the crisis promptly responded easing monetary policy by pumping large amounts of money at very low interest in insolvent banks and other financial institutions. Fiscal policies have encouraged economic activity, but for the long-term recovery, the overall stabilization of the financial system is necessary, creating conditions for faster economic growth and its encouragement of investment in infrastructure and human resources as key factors in the long-term growth and reducing unemployment. Elimination of the macro-economic imbalances is essential to reduce the possibility of the recurrence of crises in the future.

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EUROPEAN REGULATORY FRAMEWORK FOR SERVICES OF GENERAL ECONOMIC INTEREST

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Abstract: The new concept of public services defined at the level of the European Union is characterized by integration of elements of continental and Anglo-Saxon economic tradition. Public services are divided into two groups: services of general economic interest and services of general interest. The first group consists of services, which have strong economic nature and are hence subject to competition law on the internal European market (energy, gas, telecommunications, postal services, public transport). The second group consists of public services that do not have strong economic nature, and as such are exempt from the competition law (police, judiciary, defense, health, social care). The topic of this paper is the current European regulatory framework for services of general economic interest. The aim of the paper is to indicate that principles of common European regulatory framework for services of general economic interest reflect the conceptual idea of combining certain elements from two economic traditions.

Key words: services of general economic interest, European Union

1. INTRODUCTION

The process of forming the European regulatory framework of services of general economic interest (SGEI) has been going through a long and continuous process, which is characterized by the active involvement of the state members, the formulation and updating of the official documents of the European Commission. Although the process of creating regulations in the area of services of general economic interest is still subject to amendments and modifications, it is possible to distinguished basic legislative and regulatory documents governing the area of services of general economic interest. These are: Treaty of the European Community ECT, in particular the Articles 86 and 16, Green Paper on SGEI, White paper on SGEI.

2. TREATY OF THE EUROPEAN COMMUNITY (ECT) – ARTICLE 86

Article 86 is a fundamental for defining the delicate balance between competition policy and specific treatment of services of general economic interest. It is divided into three interrelated provisions.

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Within the first provision of Article 86 it is stated that member states have not to enact any measure contrary to the rules of Treaty when they grant special or exclusive rights to public undertakings. The aim of this provision is to prevent a potential action of the Member States that would jeopardize the effectiveness of the Treaty. In the second provision of the Article 86 it is stated that services of general economic interest as well as all undertakings that function as a monopoly shall be subject to the rules on competition. State members shall take care of the preserving of general interest in the process of provision and delivery of SGEI in the competitive environment. In the third provision of the Article 86 it is stated that European Commission shall ensure the application of the provisions of the Article 86, which refers also to addressing appropriate directives or decisions to member states if necessary.

The Commission emphasizes that Member States have to give up a portion of their sovereignty when it comes to public services and allow the application of the competition rules. However, with the second provision of the Article 86, European Commission has opted for a limited approach when it comes to the competition in the area of services of general economic interest. Namely, services of general economic interest should be provided in competitive environment, although the possibility of giving the exclusive rights to the enterprises remains an option, but only in favor of general, public interest. The main objective of the Commission is to emphasize the deregulation and a higher degree of liberalization in the area of SGEI, necessary for future competitiveness of Europe and its economic development and growth. Although the member states have the right to create public enterprises and to allocate the exclusive rights, they are required to monitor the activities of these companies, in order to prevent the abuse of dominant position and given exclusive rights.

Although the Commission is in charge to ensure the implementation of the provisions of the Article 86, the Member States are left the responsibility for the control of actions in the field of SGEI that could potentially hinder competition in the internal market. The most important issue relates to the granting of special and exclusive rights, and the prevention of their possible misuse.

The term “undertaking”, used in the Article 86, applies to all entities involved in economic activity, regardless of their status or the way they are financed. The undertaking has the character of economic activity, if three positive requirements are met: undertaking has the aim to supply goods and services in the market, the company bears some economic and financial risk, and there is a potential for making a profit from the activities that are made by undertakings. To avoid the arbitrariness of the term “public” and to ensure a coherent application of the Article 86, in the Directive on transparency public undertaking is defined as “any undertaking in which the public authorities shall have, directly or indirectly, a dominant influence by virtue of ownership, financial participation or the rules which govern it”.

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3 Ibid, 86 (2)
4 Ibid, 86 (3)
3. TREATY OF THE EUROPEAN COMMUNITY (ECT) – ARTICLE 16

In the year 1997, the Article 16 was added to the Treaty of the European Community, as a result of an international conference on the issue of limitation or expansion of the jurisdiction and competence in the field of public services and services of general economic interest.

Apart from the economic aspects, services of general economic interest also have the important role in promoting social and territorial cohesion, and reflect the common values of the European Union. Therefore, member states, within their possibilities and in accordance with the Treaty, should strive to organize the functioning of SGEI so that their mission can be accomplished. Although the system of SGEI is not left solely to the supranational institutions, still the competences of the European Commission are established predominantly in domain of defining the adequate principles and conditions for provision of SGEI in the internal market. According to the Article 16, SGEI should be provided and delivered through competition and market mechanisms, but with the balance of economic and social goals of the European Union. Hence, the Article 16 is also in line with the European unique concept of SGEI consisted from the elements of continental economic approach (social politics) and Anglo-Saxon economic approach (market mechanisms).

In terms of legislation concerning the liberalization of SGEI, the European Commission has opted for sectoral approach. This means that specific legislation is passed for every single service in the group of SGEI (telecommunications, postal services, energy-electricity, natural gas, rail transport). By sectoral approach the fact that each of these services has certain unique technological and market characteristics is highlighted. However, the sectoral approach emphasizes that, despite specific, individual characteristics, there are some common elements that should be applied in all SGEI, such as, for example, the Universal Service Obligation, the separation of financial accounts between the various functions within the organization, the distinction between operational and regulatory bodies.

European Commission seeks to develop a common European framework for services of general economic interest, in order to ensure a coherent implementation of the principles set out in Article 16 of the Treaty.

Accordingly, the Commission tends to legally formulate the best solutions that would ensure the development of high-quality services of general economic interest in the European Union, with strict adherence to all policies at Community level.

4. GREEN PAPER ON SERVICES OF GENERAL ECONOMIC INTEREST

In addition to the Treaty of the European Community (ECT), particularly its Articles 86 and 16, which represents basic framework for SGEi in the broadest sense, in the year 2003 the European Commission published Green Paper on SGEI which is the first document

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7 LexUriServ/site/en/oj/2006/l_318/l_31820061117en00170025.pdf
8 Ibid, Article 16
at the supranational level dealing exclusively with the issues of SGEI. The goal of Green Paper on SGEI was to open the series of important questions in this area, and invite all member states, as well as other stakeholders, to actively participate in shaping the future of the European concept of public services. Hence, Green Paper on SGEI represents the first step toward the formulation of the official European regulatory framework for services of general economic interest. Green paper on SGEI is consisted of five main parts, in addition to the introduction and operational conclusions.

The first part refers to the new terminology and definitions, as well as the role of public authorities in the system of services of general economic interest. The second part deals with the objective that the Community wants to achieve through their engagement in the area of services of general economic interest. The third chapter deals with a number of elements that could potentially constitute a common concept of services of general economic interest. The fourth part covers issues relating to the organization, financing and evaluation of SGEI, while the fifth part is devoted to the international dimensions of services of general (economic) interest.

The third part of green paper on SGEI is given special attention in this paper because it deals with the basic common principles of SGEI that should be incorporated into the national legislative of member states. The common principles refer to: the universal access, continuity, quality of services, affordability, consumers’ and users’ rights protection. Additional principles had been later added as a result of member states’ participation in the process of forming the final common European framework of SGEI.

5. WHITE PAPER ON SGEI

In the year 2004 the European Commission published the White paper on Services of General Economic Interest, based on the suggestions and conclusions of member states that took part in the constructive dialog at supranational level. Despite the expected differences in opinions and attitudes of member states, consensus was reached that services of general economic interest should be organized with a harmonious combination of market mechanisms and the specific mission of public service.

White Paper on SGEI is consisted of introduction as a first part of the document, second part deals with the issue of common responsibility of public authorities in the EU and the member states. In the third part there are basic common principles for SGEI defined and outlined. The fourth part deals with the policy improvement with the aim to accomplish the higher degree of coherency in the area of services of general economic interest along with the respect of diversity. Hence, even White paper on SGEI is final document regulating this field, it has not nevertheless to be understood as a finite step in shaping the common regulatory framework for SGEI.

In accordance with the aim of this paper, third part of White paper on SGEI is given a special attention. In the part three of White paper on SGEI, nine guiding principles of the Commission’s approach are outlined: enabling public authorities to operate close to the citizens, achieving public service objectives within competitive open markets, ensuring cohesion and universal access, maintaining a high level of quality, security and safety, en-

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suring consumer and user rights, monitoring and evaluating the performance, respecting diversity of services and situations, increasing transparency and providing legal certainty. These common principles of SGEI are fully aligned with the rights defined in the Charter of Fundamental rights of the European Union. Hence, the rule of mutual harmonization of the European legislation has been respected also in the case of regulatory framework of services of general economic interest.

Based on the analysis of the common principles defined in the White paper on services of general economic interest, it can be concluded that these are in line with the basic idea of linking up the elements from European continental and Anglo-Saxon economic traditions. Although the sharp line cannot be underlined, still it is possible to note that the principles of cohesion and universal access to services for all citizens, respecting diversity of situations, maintaining safety and security, providing legal certainty reflect the traditional values of European continental economic approach. On the other hand, the principles such as achieving public service objectives within competitive open markets, highlighting the consumer rights, monitoring and evaluating the performance, increasing transparency are in line with the Anglo-Saxon economic tradition.

6. CONCLUSION

At the level of the European Union new, unique concept of services of general economic interest is conceptualized by combining certain elements from continental and Anglo-Saxon economic approaches. Respecting the social inclusion and universal access to services for all citizens, the European concept has been enriched with the elements from Anglo-Saxons economic tradition such as the increasing of competition, forming the open internal market for services of general economic interest and focusing the attention to the users’ needs, preferences and satisfaction. New terminology was also created in order to avoid the use of vague and ambiguous term of public services. According to that, all public services belong to the two different groups: services of general interest and services of general economic interest. The first group of services is exempted from the competition whereas the latter is subject to competition rules in the European internal market. According to the analysis of the European regulatory framework of services of general economic interest it can be concluded that its principles reflect the foundational and unique European idea of binding certain elements from two different economic approaches.

BIBLIOGRAPHY:


SPECIFIC ASPECTS OF ORGANIZING AND MANAGING THE „BATA” COMPANY

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Abstract. The modern business is flooded with many postulates of the classical theory of organization and management. Slightly modified, they enabled the creation of large empires that rule the world and with it the tremendous wealth. It turns out that this is not the result of great work, smart decisions and correct relations with customers, and above all especially high-quality products and services that are marketed by the lower prices, but often monopolies, speculative, monetary and financial transactions, and other tricks.

Monographs and memoirs of successful business people show us how they created their empires with their positive and ethical sides. The idea is to future generations, i.e. business people, learn through practical examples, how to behave, organize and manage a business. However, what you will not find anywhere else, or is it rare, those are big mistakes that people from the spheres of business, politics, and other areas made, and what their outcome was. It turns out that there is no success without failure, i.e. that they were not infallible in its commission, or not doing. In a number of successful super-managers, their best decision was the fact they did not enter, i.e. they timely abandoned some businesses. Therefore, “No” can often be more important than “Yes”, which has been confirmed many times in the economy and political history.

However, Bata is a large multinational company that up to these days remained relatively unknown in the management literature, although it is based on the principles of the host, which means the real economy, and the natural principles of organization and management. It is paradoxical but true that the Bata Company is present in over 70 countries worldwide, and has production facilities in 26 countries worldwide. In its history, Bata has sold more than 14 billion pairs of shoes, which means that almost every inhabitant of the globe has two pairs of shoes from reputable manufacturer and merchant. As the largest seller and manufacturer of shoes in the world, Bata entered the Guinness Book. The company has its own foundation.

The aim of this paper is to throw light on the functioning of the empire and thus break away from the "veil" of forgetfulness, and to remind us of some forgotten principles of economizing, organization and management, organizational systems.

Keywords: Bata, Bata organization, Bata economic units, Bata Borovo
1. INTRODUCTION

The first and fundamental criterion for assessing the quality of an organization is its longevity. Therefore, something that lives long or longer than the other is the quality of its own, and when you exceed the period of the century, it is one more reason to analyze all aspects of life from its beginning until death, as the ultimate origin of which no one can avoid. In other words, everything that is born has to die. The only difference is in the length of life.

Living beings have the specificity that they cannot prolong their life forever, but it is limited biological characteristics of each individual being. However, the organizations, as artificial constructs, consisting of financial, human, financial, information and other resources have the opportunity to extend their life, to become long-lasting and even that long to be able to "eternal youth". The condition for that is that the organization is living with changes, and to change at least as fast as the environment changes. If that doesn't happen, every living being, even organizations are doomed to failure.¹

Bata organization was "born" 1894. Next year it will celebrate 120 anniversaries, which puts it in the class of long-lived organizations. Few organizations, especially from the world of production and distribution of consumer goods, especially shoes, can boast such a number of years, and so to say, to keep “mentally healthy”. Certainly, Bata, today is not what it was at the time of establishment thirty, i.e. fifty years ago. This empire has changed and adapted their business to the changes that were taking place at the customers i.e. consumers that came from the market.

If Bata did not change in parallel with changes in the environment, it would be like a dinosaur i.e. like other organizations that disappeared in a relatively short period of time. That's why we insisted that the life with changes is a condition for survival, i.e. that changes are the law of life.

However, Bata has resisted to specific challenges, which were a result of the World War I and the Great Depression that occurred in the late twenties of the last century, i.e. the Second World War, which was fought on the soil of Europe and during which Czechoslovakia had enormous material damages and human casualties. When it comes to Bata, the company had to produce military boots with wooden heels, and the customer was army. In these circumstances, Bata has manufactured footwear for military purposes, but at the same time was opening the stores for the sale of civilian shoes, which in itself tells what kind of genius he was.

We should add to this one more alpha plus, which is socialist realism as a model that was developed in the Eastern bloc, which the former Czechoslovakia belonged to, and the invasion of the Soviet Union that was made in the sixties. It is well known what impact real-socialism had on the overall social and economic development of these countries. Few empires from the real-socialism did not face the problem of confiscation of their property, preventing or prohibiting private businesses, up to declaring the founders as the enemies and their judicial punishment, and their families are often labeled as undesirable in their own country.

Bearing this in mind, it is interesting to answer the question, how Bata succeeded to survive in so turbulent and war conditions?

¹ M. Radosavljević: "Upravljanje promenama i promene u upravljanju", FORKUP, Novi Sad, 2012
2. SPECIFICS OF BATA ORGANIZATION

They say that Emerson once said that, “Organizations are shadows of their founders.” This statement applies to Tomas Bata, founder of the Bata Company. It can be compared with Charles Svob, the U.S. Steel King, and Henry Ford, American automobile king. Tomas Bata can be called “the king of shoes.”

a. Bata in times of crisis

It seems that the Bata always operated under abnormal conditions. This company was preceded by a craft workshop for footwear three centuries old, i.e. from 1580. Family workshop from the workshops turned into an industry, thanks to a loan of about $350, that Tomas G. Bata took along with his brother Antonin and his sister Anne. For the production of shoes, they rented a couple of rooms and purchased two sewing machines in installments. Procurement of raw materials for the manufacture of footwear i.e. leather and canvas they took with the grace period, as the bills as collateral. After a year, the business was successful enough to enable Bata to repay their debts and to take a more relaxed start their own business, which proves that the personal and business success is in the idea, not the money. Of course, in the same way other created their empires in the field of manufacturing, banking, hotel, fast food, etc. More or less, everyone started from scratch, and thanks to the idea and identifying of opportunities, they were able to conquer the world.

However, only a year from the start, i.e. after repaying debts and loans, Tomas faced financial difficulties and huge debts. To overcome this problem, Tomas decided to produce shoes made of canvas instead of leather, which was a rarity at that time. It was a big hit, because the demand for this type of footwear increased, which has led the company to hire 50 new employees. As the demand for this type of footwear increased, Bata tried to mechanize process, introducing machines for which he finds out in the United States. In this way, Bata has become one of the largest shoe manufacturers in Europe, thanks to mass production. Its first product was “Batovka”, massive leather and textile sneakers. This product was unique for its simplicity, style, and affordable prices. In 1912, Bata had a staff of 600 full-time employees and several hundred workers who have worked in their homes in neighboring villages. This great innovation brought large profits to Bata.

During the outbreak of the First World War, in 1914 Bata had dynamic growth, because it produced shoes for the military, which is, after all, and practiced by other manufacturers, i.e. in other countries. In order to meet the military requirements, Bata is tenfold the number of workers, and also increased the number of stores in which the sale was made on the civilian market. Shops were opened in Zlin, Prague, Liberce, Vienna, Pilsen and other places where they sold shoes or boots this manufacturer.

In the big global economic crisis in late twenties, newly formed Czechoslovakia country has been hardly hit. The local currency was devalued by 75%, demand for the products has declined, although it was the satisfaction of basic human needs, and thus the production and number of employees. Tomas Bata has responded to the crisis by reducing prices by up to 50%, and the workers have agreed that their salaries be reduced by 40%. This

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measure was the only solution, because it shows that in times of crisis, price competition becomes more significant in relation to other measures, such as quality, delivery, design, etc. Since the salary of employees decreased by 40%, which is the expected measures, Bata did this bad move compensate by providing food, clothing, shoes, and other supplies to employees at a discount of 50%. In this way, has established a partnership with the workers, to save the company, but also jobs.\(^4\)

Bata knew that solidarity in times of crisis is coming to the fore and tried that all constituents i.e. employers and workers, to refrain from certain requirements, or benefits that are used in normal times, in order to ensure survival and to create conditions for a better life in the normal course of business.

Previous measures such as reducing the selling price of shoes led to a dramatic increase in demand for shoes. While other manufacturers and competitive factories closed due to reduced demand, Bata increased the production and number of employees. New factories in Zlin covered the area of a few tens of acres, which was amazing for the time, especially when one takes into account the economic crisis and reduced demand. Certainly, Bata has tried to establish a horizontal and vertical integration, and established plants in the production of paper and paperboard containers, producing fabric as lining for shoes and socks. The idea was to keep production under control and to reduce the dependence on the external environment, which is very important in times of crisis. In this way, the Bata empire managed to ensure safety of employees and families on how to obtain their daily needs in housing, education and health care.

In the modern business conditions, general management and organization the practice of Bata Company applies in times of crisis. Bata knew, a large number of business people from different areas accepted that, “the crisis is causing problems, but at the same time provides a chance.” What will happen depends on the top management of the company. Able and wise managers will in times of crisis try to make it achieve success along with changed the concepts and, as well as in normal times.\(^5\)

**b. Business Philosophy**

Tomas Bata has been modest since childhood and a rational man from his childhood until his death, which occurred in a plane crash in the fifty-sixth year of life. This is important to know, because it seems when a man surviving a difficult childhood, that he shouldn’t relax in life, especially to enjoy his wealth. However, due to the above, the Bata Company has outlived its founder, which is the best proof of its quality. In modern conditions, it is a practice not to evaluate the performance of managers while they are managing company, but how the company operates at least ten years after the departure of the first man.\(^6\)

Bata’s factory in Zlin in Moravia, prior the occupation of Czechoslovakia represents practical application of the principles and the principles of the host economy. How this model was acceptable, primarily because of economic efficiency, it can be seen that was accepted in the former Yugoslavia by political decision in ’60s. Bata was host by all criteria by which they were evaluated. Size of a host is not to create an empire and great wealth, but to

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\(^4\) Personal archive of the author


\(^6\) „Bata Going on Strong after 70 Years in the Business,” New Straits Times, June 11, 2001
provide a successor who will continue to preserve, develop and enhance wealth. It always happens, but it happens and will happen in the future in an even greater extent. Its production was based on the mass production of diverse product range and models of shoes. The expansion of Bata can be seen in the fact that processing workshop area was over 96 hectares. In order to rationalize the production of footwear, Bata opened a special workshop for the production of cardboard boxes in which the packing for produced footwear was made, but a workshop for the canvas for the shoes, workshop for the production of short men's socks, a workshop for the production of rubber for some models, and associated with that, the production of the rubber, balloons and toys. All workshops were provided with high-quality tools, which are constantly being improved and modernized. The spread of automation and machinery directs the production chain were based on the Ford model of production, distribution machinery, conveyors, etc. What is the degree of achieved automation can be seen by the plant for filling a shoe box, where up to 50,000 pairs of shoes was processed daily.7

The idea of the company was to implement cost, i.e. price competition, i.e. to achieve a greater effect with the maximum possible degree of rounding and finalization of the production, but also the portfolio. This is significant, because in an advanced stage, the shoe market was more competitive. Consequently, the quality and price were the main elements for manufactured shoes to be sold.

On the other hand, a set of workshops and factories in Zlin acquire high quality features of social organization based on the rules and principles of the host economy, where in each of them was taking care of every expense. Factories had techno-economic roundness and relative autonomy in their work. This was a requirement for a higher level of integration, and for establishing interdependence factories in the scope of Bata organization. This means a situation in which plant was not a goal by itself, but had it was necessary to think about the other parts, and the plant as a whole. In this way, the organization confirmed the earlier rule; an organization that has a greater degree of autonomy has the higher pace of integration. Organizations that are integrated are generally more successful. Integration is the functions of mutual trust and respect. By Adizes, when the values of mutual trust and respect are declining, the value of integration declines too. On the other side, disorganized organizations are wasting a lot of energy and resources, have high costs and are usually unsuccessful.8

c. Caring for people

Bata has paid special attention to the concept of integration of employees in the company’s development. This requirement is justified because in this way creates conditions for each individual as fully use their skills for personal achievement, and success at the factory level. It turns out that between personal success and the success of the enterprise level, there is a high degree of correlation. Successful company or factory enabled better standards of every employee, but also the standards of his family. In this way it creates job security as a condition for the exercise and their personal goals, desires and interests. This has led to the need for tremendous business system to be decentralized into the organizational units responsible for business results. It turned out that decentralization increased

business success, because in parts the interest of employees to achieve even better results was increased, considering that their economic status was depending on that, i.e. wages, living standards, etc.

Bata and its colleagues show the highest level of simplicity and frugality in the management company. No ceremonies were practiced, have not used any titles, but only functions. Owners and managers have come to the factory as every other employee. They were using their cards on arrival and also at the end of the day, letting the employees are all in the same status, and that they must respect the order and regimen prescribed. The building were the administration was located was not different from the others, and the offices were modestly furnished. The practice has been that there is no parking for the boss. The founder practiced once a week to meet with their colleagues over lunch. The goal of this practice was the integration of individuals into teams and creating team spirit, but also to communicate in a relaxed and informal atmosphere, which provides the most valuable information for the management of the company. The founder knew it is hard to get the information sitting in the office, i.e. in formal communications, especially those that have a devastating impact on business performance. Given this fact, executives are often left in the plants, offices and other places where business activities took place and thus gained an insight into the organization of the system and come to the most important information.

In the fifties of the last century, this practice was taken over by the Japanese, and especially their leaders, that have modestly furnished office, dined together with workers and organized fun, through games and other sporting events. In this way, the company's promoted and demonstrated the power and at the same time got the most important information for making business decisions.9

Bata has paid special attention to vocational education and training of employees. Part of the income that was belonging to the factory was used for new investments, since the attitude of the administration was that those funds open new factories, and thereby creating new jobs. In the newly opened factories, Bata has organized education and training, and development of children of its employees. They have been educated and trained in a special factory school, which is funded from the profits of the factory. In this way, Bata was trying to round up his empire from personnel training, through production and trade, and thus deliver additional effects and synergy.

The advantage of this school is in the fact that management of the factory know what should be given to workers the future, especially when it comes to practical knowledge and skills to perform certain work activities. On the other hand, those who have completed the Bata school had a safe and provided job and good pay, and that is why the dream of most citizens were to be employed in this company.

Given the economic efficiency achieved by the Bata, in the sixties in the former Yugoslavia have been massive job specialized schools for the education of middle-level cadres at the level of individual factories. Large industrial systems that cooperate with world famous companies such as Prva Petoletka from Trstenik, 14. Oktobar from Krusevac, “Rudnik” from Gornji Milanovac, Masinska Industrija Nis have had their own schools for educating personnel to work in their factories. Planning staff has been at a high level, so that all high school students had secured job the factory. Thanks to this, or one of the reasons for the great success of the business at that time was as highly specialized staff for the plant and

this provided the best use of internal reserves at the self-organization, which was established by the Associated Labor Act.\(^{10}\)

However, the main benefit for the Bata management was that employees understand that Bata thoughts to their children, which further motivate employees to commit to the company, and keep it as their own, because it provides not only theirs, but the existence of the family, as well as future generations. Due to friendly relationship of the worker to the factory, Bata had no need for security, because all the workers guarding his property, as if it was their property. In this way, Bata has been saving largely because there were no several shifts of the security officers, nor they were not burdened with theft of property, or hostile relationship toward the company.

In order to reach successful education, Bata has organized a special i.e. an exclusive school with the modern pedagogical methods of training young workers. Special attention was paid to talented people and in that way, the company consolidated their relationship with the family. Certainly, Bata has attempted to employ the whole families, which was a rarity, since Ford avoided the employment of family members in their empire. Later, the Japanese car industry, notably the Toyota toke over the system, and made impressive results on the market."

Before the Great Depression, the company had its own hospital for treatment and health of their workers and citizenship. Bata School was recognized as a museum of shoes in which you could see the production of shoes from the earliest times to the present day worldwide. In this way, the company's name was etched in the memory of every man. To 1931, Bata had open shoe factories in Germany, England, the Netherlands, Poland and other developed countries.

The sudden rise of Bata empire, terminated in 1932, when Tomas Bata died in a plane crash during taking off from the airport Zlin, due to poor weather conditions. The fate wanted Bata's plane to struck the chimney of his building and thus end his life in the relatively young age of fifty-six. The control of the company toke over his brother Jan and his son John Thomas Bata. They will manage the company during the twentieth century. Guided by the will of his father, the Bata shoes should be treated not as a source of private wealth, but as public trust funds to improve living standards and provides customers good value for their money. The newly formed management gave an oath that they will continue to pursue their entrepreneurial, social and humanitarian ideals of the founders.\(^{11}\)

d. The organization based on production/trade circles

Bata was fond of introducing technological and organizational innovations. Among the first was designed an organization according to so-called manufacturing circles, where each circle was engaged in producing of certain types of footwear (for men, women, children, or the leather, rubber, etc.), which was the forerunner of the modern profit centers. Each production cycle consisted of 30-40 workers, and in practical activities was presented as an economic unit. They had a relatively wide autonomy, and the responsibility for the achieved economic results.

\(^{10}\) Ž. Radovanović: Utvrđivanje unutrašnjih rezervi u preduzeću, Ekonomika, Beograd, 1990, p. 29-104

The idea was to get employees more interested in the management of decentralized work. Work on the production circle is a mode of chain production with trade relations between economic units i.e. manufacturing circles. The principle of participation is best achieved when in the decentralized part of the exercise the responsibility for the results achieved in the business, because every economic unit would be entitled to the distribution of profit in partnership with the management of the factory, according to the results of, or contribution of individuals in the creation of joint effects.

Part of the profits achieved by the economic unit was deployed to individual funds that are used to resolve family issues, or health problems, problems of disabled persons, etc. In this way, a strong social aspect, solidarity, and humanity that further integrate employees to sacrifice the interests of the factory and its prospects, and contemporary management organization is called socialization, as the first signs of abandoning the classical approach to the management and organization of business systems has been manifested.\(^\text{12}\)

Then, Bata focused its managing philosophy to skilled and indirect encouraging and initiating employees to accountability and increased pace of innovation and the development and implementation of innovative ideas, but also for personal training and development of increasingly complex business functions. It stipulates that each economic unit has a relatively high autonomy in the development of new and more sophisticated technologies, such as tailors, sewing and making holes. In this context, a control input was introduced, which proved much more effective than output controls. In fact, the economic unit that starts production has the right and freedom to purchase materials for whose processing it is responsible, and then forwards its semi-products to a unit, which performs the following phases of production. This means that the head of the unit must buy leather appropriate for the phase he managed. Thus, each economic unit is responsible for all the shortcomings of their products and therefore can earn and lose in trade relations.

Trade between economic units is limited by the liability for the units toward other economic units with which business relationships were formed. Certain sanctions were applied in case of disrespecting non-technical and technological disciplines and modes. This was particularly true of sanctions for bad products. Of course, for the second class they were punished, which was reducing revenues, and thus wages in the decentralized district. Such business relations between economic units generate condition that each employee is happy to come to work and to engage totally in the workplace, with the aim of achieving successful economic business unit to which it belongs. That was the new quality of the relationship between employee and the organization, which he belongs to providing greater performance, and better interpersonal relationships, as a key factor of all personal and business success.

One of the most delicate issues in Bata's organization was the relationship of economic units according to technical and other institutions to provide intellectual services, economic units, which would correspond to our common professional services at the self-organization, which was established by the Associated Labor Act in the seventies. Bata's organization solved that problem by participation of the institution of intellectual services with a certain level of income and economic units. The idea was that so-called professional, intellectual or services participate in the distribution of the effects of each unit according to its economic success. Therefore, so-called professional services were more interested in the success of economic units.

\(^{12}\) V. Vučenović i drugi, Samo-organizacija, FORKUP, Novi Sad, 2011, p. 38.
Previous solution has proven good and also in slightly modified form could be applied to the constitution of an autonomous organization in the former Yugoslavia. This did not happen, because professional services were treated as technocratic centers to which their basic rights and the rights of employees in economic units have been denied. The consequences of such a solution are well known. Namely, the cleverest and most creative part of the organization has been undervalued and marginalized, the huge intellectual potential remains unused, and self-governing organization experienced collapse. With the disappearance of self-organization in Yugoslavia, the bright idea of French utopian socialist management to replace the people with control issues was compromised. It turns out that today no one speaks of this idea, although it has potentials to overcome all other organizational forms.\(^\text{13}\)

The overall philosophy of the Bata's organization highlights the need to transform the internal climate of the company using the organizational means. In Zlin there is no union, and Bata seeks to remove ideological and politicization using this fact. The unions are useless here because management teams are thinking on the workers i.e. their living standard and working conditions. The Japanese factories later accepted this philosophy, primarily in the automotive industry.

3. RESUME

Previous analysis indicates and proves that many of the principles of organization Bata have not lost its value, and it is no likely this will ever happen. On the contrary, the Bata organization will gain greater significance over time because to the values that have been established and practically confirmed will be given greater significance in the future. This is because the Bata organization was established based on natural law, which are eternal and do not change from case to case, depending on one's mood. It proves that nothing will arise from nothing, but that everything must have a cause, and that everything must arise from something. In Bata’s organization that was work, innovation, organization, and a strong concept of socialization organization.

Bata organization was established on the values of work, responsibility and integration of the employees in the economic units, but the integration of economic units and the plant level as a whole, and their connection with the environment in which they operated. That is why Bata organization is a typical host economy in which the roles are clearly divided, in which everyone known the order and responsibility.

Bata organization is by all criteria was set on the modern of socialization of the organization concepts where the basic mechanism represents decentralization, especially when it comes to manufacturing circles, or economic units, which in modern terms corresponds the profit centers. It is necessary to say that Bata was above all, the host. For the modern business, this statement is important, because there are many highly educated people who have completed well-known business colleges in the world and have a diploma in business management, but do not have a sense of home, or do not have enough knowledge for host, i.e. the real economy. The business schools teach future managers the quantum

\(^{13}\) The most complete investigation of the problem of self-organization in Yugoslavia was performed by the Institute of Economics in Sarajevo, and the findings are elaborated in the project: Samoupravno organizovanje u teoriji i praksi”, Volume 1-4, Svjetlost, Sarajevo, 1988, under the supervision of M. Babic
finance, stock brokerage and speculative, consumer and other unethical activities, while the host economics is almost "expelled" from the theory and practice of management. In such circumstances, the crises are inevitable as the results of primarily managing company in a hostile way. Bata Company is the example according to which the present and future organizations can learn how to do business.

BIBLIOGRAPHY:

NEW QUALITY OF THE ORGANIZATION AND MANAGEMENT OF BATA BOROVO FACTORY

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Abstract: Large multinational company Bata is little known in the business world, as successful and at the same time lasting one in the field of footwear industry. Although this is an industry in the areas of fashion, this empire has managed thanks to good market research, and creation of the shoes. For current and future managers, the fact how Tomas Bata and his associates worked and behaved is very important.

Bata factory in Borovo, near present Vukovar, Croatia, is an organization that in many respects shares some common characteristics with other factories in the world, which is natural, because every part of a whole carries some of its features more or less. However, Bata Borovo had its own capabilities in relation to other plants, since it was a different environment in which the plant operates. It turns out that some organizational management solutions was unique in the results or effects that were achieved. How much the impact the Bata organization had to creating of a socio-economic system of the former Yugoslavia, it can be seen from the indisputable fact that the economic model of organization units from Bata - Borovo, was mostly taken in the design of organizational settings Belja from Osijek, and later called for designing a self-organization, which has shown its advantages in comparison to conventional forms of organization.

The paper attempts to address some of the settings in the Bata organization in Borovo and their effects, so their experiences can be used in the theory and practice of organization and management of business in other organizations.

Keywords: Bata Borovo, Tomas Bata, household economy

1. BATA’S FACTORIES ARE A TYPICAL EXAMPLE OF A HOUSEHOLD ECONOMY

The founder of the empire for manufacturing and trading of footwear was Tomas Bata. He came from a family of shoemakers, originating from 17th century, in a place where it was located almost desolate valley of Moravia. After the sudden death of Thomas Bate in 1932, his half-brother, Jan continued to manage it as well as Tomas did. Therefore, the new boss replaced the old one and continued in the same manner of operation.

Bata knew that it was necessary to expand, and that the greater expansion has to go beyond Zlin and Czechoslovakia. Therefore, he opened factories in other countries, including the Kingdom of Yugoslavia. Bata has bought an uninhabited part of the Slavonian
plain, on the lower bank of the Danube River near Vukovar, Croatia. Construction of the factory began in a small village Borovo, which was uninhabited, undeveloped and rural area, i.e. a larger village typical of this area.

Thorough research and analysis shows that many Bata’s factories showed that the whole his philosophy was based on the principles of the household economy, which still has its basis in antique economy\(^1\). It was the interest groups of associated individuals and businesses based on factory or industrial way of doing things. It turns out that the interest is the healthiest cohesive tissue that connects people in the organization. In other words, the organization is the people who come together and connect to the most efficient and effective way to achieve their goals and interests. Bata was aware of the law of compensation, according to which there is no receiving without giving. Therefore, in order to get something, he has to give. That is why he was stimulating the buyers through the selling modalities, but in that way he got about a hundred times more. If this were not done, the factory would not be economically stable, or socially secured.

Bata’s organization was much more advanced than any other footwear manufacturer, but also with regard to other sectors. Bata has perfected its organizational setting and in accordance with the introduction of innovations, tried to change the habits of workers, having in mind Ford’s famous saying, “Mexico cannot be changed without changing the Mexicans.” It turns out that the abandonment of old habits is much more difficult than accepting the new ones. Therefore, the problem of forgetting and abandoning the outdated is much more complex, due to which is necessary to invest much more effort to make sense of technological, organizational, and above all innovation in philosophy of managing factories. The key question was how to leave the family habits in which there are family and friendly relations and accept default behavior, which was based on interests, especially in terms of traditional society; such was in Borovo and the surrounding area at the time. The problem was complicated because Bata’s factories were families, in a sense of, because entire families were employed there, i.e. parents and children, and their friends. Of course, a decisive influence on changing bad habits had the factory management, which is natural, since it has a vision, where the factory should be and the mechanisms by which this can be accomplished. It turns out that this principle later will be accepted by many of the large business empires in the world of banking, hotel, shops, etc.\(^2\)

To illustrate these claims, we will use the example of Maksimovic, the director, and the way he changed the behavior and actions of the Slavonian into quality new habits and behaviors. Slavonians are accustomed to eat substantial amounts of fat or bacon and hot sausage. Employees tried to bring those family habits in his factory, so they brought from home sausage products as a snack, often wrapped in newspaper. The problem is complicated because the offices and factory facilities could not support storing snacks, considering the Spartan environment.

In these circumstances, the only option was a locker where they held the writing materials, given the fact there was no writing paper. Upon arrival at the job, workers were taking out the writing material, and putting snack in the locker. The smell of meat products spread throughout the room. To solve this problem, management decided to form a restaurant where the workers could eat. Tables in the restaurant were covered with ironed white ta-

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blecloths. It was a sign it was not allowed to enter the restaurant wearing dirty clothes and having dirty hands, even though it is a dirty industry.³

In this way, Bata informed employees how they need to behave. Everyone had to clean table after eating, because when the next shift come they will be angry if tablecloths are dirty. Thus, the experience gained in the factory restaurant has been passed in a homey atmosphere i.e. dining at home. It is shown that in the family is much more comfortable to dine setting at the table covered with clean tablecloth. In other words, Bata was trying to transfer some elements of default behavior into families.

1.1. CARING FOR PEOPLE

In order to establish a better socialization of the organization, in addition to shoe factory, Bata build a housing project, by the standards of comfortable flats. In this way, Bata’s organization differed from the others, because its workers lived in comfortable apartments, while the accommodation of workers in other companies was in temporary barracks, in modestly furnished rooms without sanitation devices. This is significant, because the Bata’s workers were proud to be employed in such high quality and successful organization. They feel safer and feel like the factory is their household. That feeling increases due to fact that the principle of employee participation in management structures begin to develop at the plant. Toma Maksimovic, the former factory director, had a day in a week, so-called “Open Doors Day”. On this day, each employee could directly contact him to express its personal or family problem, but also a problem in the workplace among colleagues. Most individuals came to suggest a better way of completing tasks. Any proposed idea was discussed and there was a general feeling of accepting. The managing director was saying, “There are no stupid questions, only stupid answers.” In such an atmosphere, everyone was trying to suggest the idea, but many ideas are transformed into actions, whereby individuals are made more powerful, because they were happiest when they or their ideas make better performance. Using this mode, Japan has prospered in the fifties of the last century, because they particularly appreciated the ideas, the ones that were based on the principles of creative imitation. Therefore, many workers analyzed the original innovations, and sought to improve their functional performance. Thanks to “the creative imitation”, Japanese society and economy made a big step forward after the end of World War II in a short time.⁴

1.2. SOCIALIZATION OF THE ORGANIZATION

Although the Bata system relied on the autocratic leadership, the fact is that in a shoe factory in Borovo, there was no ordering and commanding as usual styles, which were accepted in traditional leadership and organization. In general, they insist that all the problems be solved with mutual consent and with the compromise, especially when it comes to interesting problems and questions. Therefore, there was no compromise or it can be one in solving the problem, because in solving them the final say have professionals and specialists. If between production and sale, i.e. distribution problem arose, in its resolution

³ Personal records and archive by the author
⁴ Радосављевић, М., „Необходимостизменаотношениин имитации“, MK Strategični imperative sučasnogomenedžmentu – vol.2, Kiev 2012., p.133-142.)
were to participate uncompromisingly only experts in the field of production and trade. However, when it comes to the problem of people, especially those relating to the interests of employees, Bata and his associates tried to come to an agreement. Although at the level of the company as a whole, a special attention was paid to technological progress and innovation in the factory Borovo, most attention was paid to human resources. It can be seen from the fact that the standard of employees and their families was constantly promoted, along with good working conditions. Bata had the hospital staff, and provided the school education for workers. However, Bata was sending employees or children of employees in the public schools and colleges. What is particularly significant is that each university education was a ticket to enter the factory, but whether and how to stay in it was depending on the people. Of the commitment of each individual depended on his progress, because the actual skills and the results that individuals have in their work place were appreciated. This principle becomes dominant today in the management of human resources, and in the future will gain even greater significance.\(^5\)

During the period of dynamic development of Bata, the problem of insufficient numbers of housing objecte merged. To solve this problem, Bata started the construction of houses for two or four families. Houses had comfortable apartments, and a piece of land on which they could plant flowers, gardens and plants. For the management of Bata Company in Borovo was important that the families socialize in their free time, exchange experiences and helping each other about solving individual problems. That factory organization expands its borders and the impact on households and families and working families integrate into Bata’s factory.\(^6\)

### 1.3. ORGANIZATION OF THE GENERAL MANAGER’S OFFICE

In addition, it is useful to note that in the general manager’s office was only one chair, the one on which he was sitting. It was often surprising for a large number of partners and others who came to the Bata’s system. Everyone who came to see the director had to stand and to speak to him and in a short time. In this way, he made it clear to all employees that the time is an expensive resource, and there is no time for long conversations and chatting. Employees had a short time to present a problem, propose a possible solution to the problem and wait for the decision of the general manager. If he knew of the problem but not the solution for it, then for Maksimovic a problem did not exist. The idea of a one office chair is still popular. A large office with a long table and usually with ten chairs and ashtrays, equipped with buffet and drinks is the place where precious time is lost, and so is the full table with chairs where people strive to satisfy with food, drinks, etc. That is why when making important decision, a better solution is to celebrate it with cocktails, so no chair, so the event ends as soon as possible. Therefore, Bata’s management saw a big problem in sitting in chairs.

It should be noted that the offices were modestly furnished. The table could have only one drawer in which necessary accessories to perform office duties, such as machines to

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\(^6\) Anthony Cekota, „Tomas Bata, pioneer of self-government in industry“, in The Czechoslovak Contribution to World Culture, 1964, chapter 4, pp. 342-349
connect documents, paper clips, pens, chopping, erasers, writing paper needed, and so on could be placed in. Bata knew that tables with multiple drawers, cabinets and other office furniture are a great danger for office administration, because this equipment allows them to leave the document and the individual act and not to respond in time. Thus, the act left in drawers or closets is often forgotten so they do not react in time. It turns out that the biggest problem of forgetting is the fact that is forgotten what is forgotten. Bata also took into account the family habits of its employees, where in making snacks they often used drawer as storage for food, supplies, etc. sought ways to change that.

The management of the factory was practiced that all meetings are held outside working hours. Here a household economy prevailed and rationality in communications. If meetings were scheduled during the working hours, they tend to prolong, because it was more comfortable to be at the meetings, and not to work using a machine. In this situation, the overall intention was those meetings to be short, thematic and problem solving oriented, to present a problem and find the alternatives for its solution, and finally making the decision. The rule was, that the need for the meeting questioned until the meeting is about to begin. It was better to postpone the meeting if it is determined that there is no need for it, but maintain it just because it is planned.

How much previous measure was necessary and beneficial to the business success of Bata company, can be seen in the fact that in the former Yugoslavia, “five hundred to six hundred thousands of people attended meetings every day, which shows the irrationality of the organization, because as long as the meetings of the economic activities are performed, the production was undisturbed although many employees are attending various meetings. It has been shown that such a mass assemblies, causing extra costs for their development and maintenance, but the costs were high, the employees were not working. In this way, the politicization in companies implemented where the political elite imposing political behavior patterns.7

1.4. UNION ORGANIZING

In Bata’s organization there was no place for unions and union activity, although the trade union existed. The reason of this is in the indisputable fact that when management takes care of the employees, the union has nothing to do. It turned out that the union leadership and integrated work do not have conflicting goals, as many of the leaders, or union leaders think. Therefore, the goal is to be more competitive and better than others are, and on that basis to exercise additional benefits, which will be directly reflected in higher wages, higher living standards and better working conditions. To illustrate the relationship of trade unions and the management of the factory, it is enough to cite the statement of Josip Cazi, who was then the president of union regarding the organizing of the union meetings. Namely, the general manager banned trade union president to hold meetings in rural and dirty inns, and told him that meetings must be held in the factory. If the union has any special needs or problems, the factory manager was requested to be informed so he could solve problems together. Then the president of the union informed the general manager that the union wants to establish cultural association and sports game association.

7 V. Vučenović: Međuzavisnoststrategijerazvoja i organizacionestruktura” Zbornikradova, Strategijarazuvoja I organizacionastrukturajugoslovenskogpredzeća, EkonomskifakultetBeogradl, 1990. str. 75
The result of the conversation was that Borovo build and equip a special cultural center with all the necessary amenities and facilities. In this object, they organized cultural and sports activities through several sections, tamburitza orchestra, the folk orchestra, and a rich library. The reason of this is clear. It is better for the employees and their members, and other citizens to be integrated into the system of Borovo, then to be bored or spend time in dirty and smoky pubs. For sports activities, a modern stadium has been built. Particular interest was shown for the management of a football club, which had all the selections. Senior teams competed in the first national league, under the name Bata. In this way, Bata has provided promotion of their empire. The quality of the team and the organization of the club largely reflect the organization and success of the Bata organization. Every detail on the equipment and uniforms, boots, etc. was reflecting the identity of Borovo, which was very acceptable by the club's supporters, and beyond. It should be noted that the Bata Borovo was thinking on the long run, because a great pace of development was achieved in a relatively short period. For example, Bata Borovo in May 1931, employed 120 workers, and in June 1942, 8680 workers, which was more than the population of the Borovo, which makes it one of the largest shoe factory then in Europe.8

1.5. ORGANIZING OF SALES SERVICE

The particular attention deserves the sales organization of the final product. Bata knew that this was the most important functions in any company; it is futile to produce a quality product at a certain price, if it could not be sold. To ensure a successful placement i.e. sale, Bata started from the statement of Frank Bettger borrowed from Dale Carnegie, “There are only one way to indicate that someone does something. Only one way, and that is exactly what he wanted to do. Remember, there is no other way. When someone points out what he wants, he will move heaven and earth to get it.”9

In this context, Bata was trying to organize its retail network, not just to round off the supply, production and trade, but above all to control this element of the business and to impact on raising sales. It should be noted that from the standpoint of science, integration of production and distribution has certain problems, from the standpoint of providing retail facilities, personnel, etc. leads company in the neglect of specialization, so Bata started from the practical side of this phenomenon, considering that the one who manages sales, manages company. All the major towns have had retail stores, with a clear Borovo sign, with wide, perhaps the widest range of footwear.

Particular attention Bata directed to the stimulation sellers. He knew that only a satisfied seller could make a satisfaction to potential buyer, i.e. to turn a potential buyer into a real one. In this context, Bata constructed the first model of sales prices that ended with the 9. For example, shoes were sold at a price of 99 dinars, which were later adopted by other retailers worldwide. The idea was that such a price is an incentive for the seller, while other retailers this model is introduced to make clear, how much the company is accurate. Therefore, Bata's model of the formation of the selling price stimulated each seller to sell as many pairs of shoes, because the buyers usually paid the shoes with 100 dinar notes. When

8 Bohumil Lehar, „The Economic Expansion of the Bata Concern in Czechoslovakia and Abroad (1929-1938)“, Historica, n°5, 1963, pp. 147-188
the cashier tried to return the change of one dinar, the buyer would usually insist that to keep it. If the seller is able to sell 10 pairs of shoes per day, he was able to save 10 dinars, which was equal to a per diem payment or salary.

This is enough to explain how much the seller is interested in selling and converting potential customers into actual. In this way, the benefits are provided for the salesperson and for the factory. If the seller earns 10 dinars, the factory will earn 1000 dinars, and vice versa. If the seller does not earn anything, or sell a single pair of shoes per day, the plant will not have any income, but will have lease costs, staff, heating, etc. In this way, the principle to which once Adam Smith pointed out realize, that what is useful to the individual, and it is useful for the organization, but also for the country, as well as at the global level. In other words, what is wrong or harmful to the individual, is harmful for both the organization and the state. Therefore, the interest of the individuals of crucial importance, because if the plant consists of a happy and successful people, i.e. wealthy individuals, then it will be happy and successful, but also rich.10

In this way, the functions of traffic integrate to Bata’s factories. The higher sales of shoes by the retailer directly stimulated production, because an additional quantity of shoes to fill the shelves was ordered. Seller orders the kind and amount of footwear for which is sure that is going to be sold, and the factory produces shoes for which they are certain to find affordable demand. It turns out that the real purpose of stimulating sales is in the market research. In this way, the plant is released of market research costs; and on the other hand, it shows that stimulating the seller performs the customer, not a factory.

These examples of organizational modalities largely show and prove how it is possible to achieve business success and that often innovations are self-funding, but the wisdom and the ability to sense the business and act effectively.

For many, this businesses model would be ethically problematic, because the tip is illegal and should be prevented, primarily from the viewpoint of system rules. However, Bata systematically allowed the tip, because through the formed price Bata allowed the vendor an award for selling a pair of shoes or other footwear. On the other hand, Bata was thinking that only the satisfied person would leave the tip, i.e. one who is satisfied with the quality of sales, courtesy of the sales staff, etc. Of course, these specific qualities are not that necessary in production because the workers in the factory cannot meet with customers as the most reliable part of the assets of any organization. They do not have to be smiling and friendly, while it is necessary in the shop, because nobody wants to buy from a person who is rude, serious and with grim face or difficulty communicates with the buyers, and so on. Later, this practice will be accept by other companies and in ‘70s, marketing concept in making management decisions appears that was based on the customer or the market as the main factor that determines what and how to produce. Under the present conditions, a special segment of marketing developed, it is behavior, or consumer psychology, which examines the different groups of consumers and their buying behavior. It is curious that the Bata dealt with consumer psychology, but the sales staff too for more than seventy years, though is not discussed about this phenomenon. In the last decade of the new millennium, behavior or consumer psychology has gained in importance, but the big problem was its practical application. It is shown that the mindset of the consumer, and

10Ž.Radosavljević: Menadžment u modernombiznisu, Privrednaakademija, Novi Sad, 2006
the mentality of management and managers, is essential to establish a leadership position in the company, but also on the market.\textsuperscript{11}

\section*{1.6. ECONOMIC UNITS AS THE NEW ORGANIZATIONAL FORM}

The first experiments on introducing enterprise organization by economic units began in 1956, in the Belje state farm from Belje. The basic design of the organizational setting of this experiment was taken from the Bata’s organization. Belje farm disposed of approximately 30,000 hectares of arable and fertile land. Had 19 organizational units, with separate administrations, which mean it was relying on decentralized organization. Such organizational structure of the agricultural complex served to constitute as an economic unit with a relatively wide autonomy. This was the logical outcome, given the fact that the economic dimension is primary in every shape and part of the organization. Therefore, the administration too, and manufacturing, transport and logistics components must have in mind the economic dimension, i.e. to achieve the greatest possible success with limited resources. Designing governments as economic units or profit centers in the contemporary understanding, become even more important, as critical factors for business success are in the managerial structures. In other words, the administration has a dominant influence on the determination of the strategic direction of the organization.

It should be noted that the economic units or profit centers are rounded out techno-economic areas or parts within which it is possible to measure and express the results as the basis for allocation under the principles of their participation in the exercise of certain effects. In the period before the formation of economic units, Belje recorded the average yields of wheat, about one and a half tons per hectare, about two tons of corn, about three tons of sugar beets. About a thousand liters of milk a year per cow was realized. The introduction of economic units, these yields multiplied. The main, or one of the main reason cited is that the system of payment was based on two-input tables, which determined the progressive participation of payroll, depending on the increase in production and actual costs. Thus, each worker was interested to realize a higher production with lower expenses. At the beginning of the application of economic units in Belje, there was a need for training of tractor drivers for the successful use of the available equipment. Then was organized a special training center for a tractor in Osijek. It is interesting that this center soon transformed to the school of agriculture in Osijek and then in the Faculty of Agriculture in Osijek.

Successful business of Belje initiated the introduction of economic units in other farms and cooperative organizations, which is especially obvious on the Belgrade agricultural complex, where the world records in agricultural production were achieved. What kind of impact it has, illustrates the fact that the Belgrade agricultural conglomerate realized 8,000 liters of milk per cow, which was surprising for that time, but for the present too, where the agro-technical and other conditions are much more favorable.

It is important to note that the experiments in the introduction of economic units in Borovo were intensively developed and applied in other industries and businesses. Therefore, in the second half of the twentieth century there was a political decision that all businesses must be organized on the model of economic units of Bata Borovo. This political decision

allowed Yugoslavia to become a medium developed country with doubled rate of economic growth and to be the first in the world on that basis. National income per capita for that period in Yugoslavia was higher than the national income in Japan.\textsuperscript{12}

The above economic and political trends have led to a situation that economists are more interested in the organization of enterprises by economic units. At the same time, they were getting more independent and did not go to committees as centers of political decision-making, seeking directives and acting accordingly. Politicians responded by introducing economic reforms with which they are returning to traditional forms of organization, which is a big step backwards, with enormous implications for the future. Of course, politicians are in a position to manage the economy, with the established ideological and political affiliation, as one of the most important criteria for the selection and appointment of managers, including the general manager. To this practice in the Republic of Serbia in the present context was given even greater degree of ideologization and politicization.

The outcomes of this situation are well known. There was a break down of relatively well-established relationships in organizational systems, reduced work productivity, business inefficiency at all levels and segments of the economy and society, and thus reduced standard of living and general well-being. Instead of the household relations and economics, the consumer economy and other speculative transactions were introduced.

The above indicates that the removal of the principles of the household economy, which has largely been applied in Bata’s organization in Borovo, inevitably leads to a crisis, not only in the organization of the economy, but also in all aspects of the social order. This is logical, because it shows that the household, i.e. the real economy, is the basis of all the economies and that without it, no one can be successful, both personally and on a business level.

2. RESUME

Analysis of the Bata Company has shown this is a very progressive company, not only for that time in which it has existed, but also for the future. The principles applied by Tomas Bata at the level of the whole system but also in Bata Borovo, were taking into account the specific characteristics of the environment in which the system is operated. Thanks to high-quality solutions, Bata organization was one of the largest in Europe, with more than eight thousand people, with a strong pace of development, in company, and in the environment.

The special quality of the organization Bata was the use of economic units, as forerunners of modern profit centers. They were clearly defined accountability for the business results, and there was a possibility of distributing the results of the individual contributions in the creation of joint effects in consultation with management. Method of forming sales prices and stimulating the sales staff, i.e. sellers, as the attitude towards tips are also interesting questions, especially since this issue deals with the ethical point of view and that some companies not only did not approve tip, but it was prohibited. However, instead of allocating money to stimulate the sellers, Bata permitted the tip, with which the customers rewarded seller for good service.

Organization of the general manager's office, particularly modest equipment, eliminating the privileges of the founders and management, the principle of a one chair in the office is

\textsuperscript{12}M. Dostić: Preduzetništvo i menadžment u malombiznisu, Autor, Sarajevo, 1996. Str. 35-37.
the way to eliminate the “gap” that exists between the top and bottom of the organization and speed in decision-making. Here comes into play the so-called personal example, i.e. the principle which how the other constituents in the organization should behave. It turns out that the general managers have no moral right to act immediately, and to require different behavior from the employees, from respecting of the technical and technological regimes, to performing tasks, meeting deadlines, etc. Many experiences and practical solutions in the organization and management of the organization Bata are accepted in contemporary management, primarily in the Japanese management, which is certainly considered the finest in the world. Thanks to a healthy and ecological basis on which the Bata system was based, this organization has provided for a bright future.

BIBLIOGRAPHY:

CREATIVE DESTRUCTION PROVIDES “A LIFE AFTER DEATH”

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Abstract: Commercial business in the last two decades of the last century can be summed up in a few words, namely: to anticipate, to order and to control. This was possible in terms of the relative stability of the environment that largely could be controlled, and uncertainties predicted. However, this is no longer and never will be again.

21st century began with the dramatic changes that will be even more dramatic and uncertain. This is related to climate, social, economic, technological, organizational, and other changes. To respond to these changes, organizations will have to change the postulates of classical economics and the organization and to function according to the principles of “the creative chaos”. Changes and management will be one of the major challenges for the leaders of twenty-first century. Leaders of the future will need to constantly invent and redesign the organization and leadership, and to use the so-called “creative destruction” as a concept to solve increasingly complex problems.

The paper deals with the problem of reviving the companies that are in the stage of maturity and decline, seeking an answer to the question “can we live after death.”

Keywords: creative destruction, creativity

1. INTRODUCTION

Medical science has established there is no life after death. However, Ichak Adizes says that wherever there is a change, there is a life. After death, after a few hours corpse starts to change, which means there are microbes that destroy it, thus confirming that wherever there is change, there is movement, and that movement i.e. changes in lifestyle. Is it possible to transfer these findings to social and organizational systems, and whether the organization can survive clinical death and be brought to life again, and to be successful in relation to the phase of development and maturity?

Famous American lecturer and consultant at the Richard Ivey School of Business wrote a treatise named “Crisis and Recovery” and elaborated the concept of organizational changes, which is more or less applicable to all organizations and societies, regardless of socio-economic, cultural, social, religious, customary and other characteristics. This is the concept of conditional destruction of the existing organizational structure and manage-
ment processes and re-restoration of the companies. It turns out there is an excess capacity and general saturation in terms of products, services, etc. at the global level that limits development, given that the purpose of any production is to find payable demand. If not, then it does not make economic sense to produce.

In the next period, this saturation will be even bigger, as long as the third world countries are not developing, and countries such as Brazil, Mexico and Argentina do not develop sufficiently powerful middle class in order to be able to purchase products and services and thus balance the supply and demand.

In terms of radical and fundamental changes, it is necessary to respond to quickly and efficiently certain challenges and problems, which are generally unique and unrepeatable. It turns out that the rapid and radical change threatens life and reduces the life cycle of the company, which requires that companies must change at least as fast as the environment changes. If this doesn't happen, the organizations are lagging behind, and ultimately will disappear. This will happen with living beings too, and even a man as conscious and rational living being, which impose a necessity to live and work with the changes, according to the principle that everything is changing, and that the changes are the only permanent thing. In other words, today we live by the principle that nothing is more permanent than temporary solutions, that is, in contrast to the past, looking for an organization that will continuously change and adapt to environment changes. Instead of continuity and longevity that characterized the organization of the twentieth century, in the twenty-first century is expected that discontinuity of businesses and organizations is going to be one of the main characteristics, which will inevitably affect the lifespan of products and services, i.e. organizations.\(^1\)

However, any company can extend its life, if live with permanent changes. That happened to Ford, as well as with other companies. Therefore, Ford lives over a hundred years. However, today’s Ford does not look at all t Ford from fifty years ago. Ford survived and lived another companies, thanks to their permanent adjustments to customers and market. It this company has not changed and adapted to the market and its demands, Ford would not exist today. Long-lived companies have applied the concept of “creative destruction” and thus successfully completed a high level of turbulences.

2. “CREATIVE DESTRUCTION”, A THREAT OR AN OPPORTUNITY

The starting point for drawing conclusions about the essence of creative destruction is an ecological system, i.e. the natural order and the natural laws of the universe. It is shown that the universe operates on the principles of natural laws, which are objective and act independently of our will, and regardless of whether they know the person or not, or whether they are granted, or denied. Therefore, there is creative destruction in the natural system, and can be relatively easily represented through a lumber camp.

The managers of lumber camps and workers are destroying mature forest trees and low vegetation, including burning, in order to enable its restoration and to create conditions to develop tentatively promising tree. Therefore, the management of lumber camp creates the idea on the reconstruction through an idea that can be seen as the concept of “creative destruction.”

\(^1\) John Naisbitt: From nation states to networks, Rethinking the World, pp. 222-225
Analogous to the above, the company management must learn to help businesses at mature age to disappear, and i.e. when organizations do not have anything new or useful to supply the market. In medicine, this is called euthanasia, i.e. trying to help the sick man dies, to avoid much pain and hard life. In some countries, euthanasia is allowed, whereas in others not, realizing that it is not humane that one person helps other person to die, which is largely transformed into Hippocratic Oath.

Thus, mature companies in terms of technology and organizational needs to destroy themselves, if they want to survive and continue their life after death. Restoration and destruction are inextricably linked, as is the case with birth and death. There is no death without birth or a birth without dying. Thus, mature trees and low vegetation must be burned, or be destroyed, in order to enable the restoration of the forest. Consequently, forest fires that occur in many cases can be regarded as a natural phenomenon in the balance of the environment, not only as a result of drought, high winds and lightning. Yes it’s true, it was confirmed by researches, in cases with a large number of fires in the natural order when the cause of the fire is unknown, or when is determined that the fire was not caused by a specific act, or not-doing by a man. In other words, the nature itself is performing the healing of its sub-systems, or performs “creative destruction” in order to ensure the sustainability of the universe. Analogous to the above, self-ignition that objectively exists in the natural order is the controller that ensures that the organizations perform self-renovation and in the same model of change provides its longevity. That is why the universe lives a few hundred million years and will live as long as we are able to self-renew and to establish permanent changes.²

Organizations are artificial systems that connect people, technology and processes, and are similar to ecological systems. Both have their limitations in advanced lifetime. Over the last five decades, higher education management schools provided the professionals who were able to provide the stability of the organization and possible longer life, including the injection to mature organizations and unproductive technology could survive and function. At the end of the last century, we were witnesses of the management training to perform a smart disorganization of the organization, i.e. to wisely “burn” its organization, instead of taking measures to be “fire resistant.” In other words, the right choice is that management plans and smartly destroys existing design, technology and other subsystems of the organization, according to the “ethical anarchy” principle. If management does not do so, they risk being destroyed by the competition, but that destruction would be a non-systematic, random, and as such less efficient. Of course, one thing is true, and that is the fact that the end is inevitable, and the only question is who will take part in the destruction of the organization.

Viewed from this angle, change management challenging the traditional life cycle of technology and approaching it to the ecological cycle in which its individual parts live and go, but the forest as a dynamic eco-system survives through a continuous cycle that occurs in the same system of changes through planting, growth, development, destruction and renewal. It can be called an eco-cycle in contrast to the known life cycle, which is usually attributed to individual organisms.

The life cycle is usually described as a curve in the shape of the letter “S” while the eco-cycle consists of two such curves that intersect to form a continuous loop, which can be presented in the following way:

² Warren Bennis, „Becoming a leader of leaders“, Rethinking Leadership, p. 150-151.
The front part of the loop is known in the conventional life cycle. It monitors the system from birth through maturity and up to decay and dissolution. The second loop is less well-known cycle of renewal of “dead” or the cycle of “re-conception” i.e. revival. It starts off as a result of confusing crisis that breaks limitations that links the system and fragments higher hierarchical structures that monopolize resources. It ends up creating the context in which new organisms in their natural or organizations in the social order can flourish. Therefore, it is the emergence of a whole new cycle of birth and growth.

The change in the eco-cycle is permanent. Sometimes it is painless and almost linear, but sometimes it is rapid and nonlinear. It is clear that reconstruction requires destruction. The only way to create a new space in the forest is to creatively destroy the large-scale structures that monopolize its resources. Consequently, the only way to introduce new technology in organizations is to destroy or remove existing technologies that limit the potential of other resources, thereby reducing the competitive ability.

3. THE PRACTICE OF “CREATIVE DESTRUCTION”

Practice shows that a large number of successful companies perform creative destruction and that were successful in bringing their companies to the top after major stumbling thanks to creative destruction. The most important thing is that tomorrow’s leaders will have to learn how to create an environment that accepts change and that change is not perceived as a threat but as an opportunity and a chance. This is the only way to successfully manage organizations in turbulent conditions.

Jack in the Box Company is the world famous fast-food chain, which has come into a mega crisis in 1993, when 600 people were infected eating meat and hamburgers, while 3
consumers died. After this case, and with a series of statements and shifting responsibility to the suppliers of meat, this restaurant chain has come into a major crisis, whose epilogue was a reduced energy and confidence in the quality and safety of fast food that is prepared in this system.  

In 1994, management of the company took the series of actions to restore the confidence of customers in terms of food security and thus turn the crisis into opportunities and chances. The first innovation was the introduction of a system of total control of food from production to consumption known as HASSP, and the introduction of microbiological control of meat and meat products. A control of all segments of the restaurant where the food is prepared and served, including the control of health staff was also introduced, as the new method of promotion. In addition, training of the staff was also provided in order to realize the program. Thus, this system for fast food save itself of crisis in order to achieve innovation through leadership positions in the food industry. According to many estimates, if the crisis did not happen, the system would remain at much lower level.

“Intel” company is one of the companies that is continually updated on “parts of open space” created by the constant changes in technology. In the eighties, the crisis has played a major role in how to get them to leave the production of memory chips (which was the basis of their previous success) and facilitate their transition to the production of microprocessors, which then was in its infancy. When the memory chips have become commodities for the market, “Intel” was not able to sustain in the market that Japanese were increasingly taking. The catalyst for the decision to abandon the technology, even though it was the root of their successful business, was a crisis that has led the company in a difficult situation.

In the mid seventies, “Pentium Flaw” crisis, started due to a seemingly small error in the new micro-processor chips, promoted “Intel” and paved the way for a radical revision of quality standards of the “Intel” (the whole branch of production) both in the field of “hardware” and in the area of “software”.

The concept of creative destruction that 3M Company has used creates new opportunities and prospects. This company seems to institutionalize systematic “burning” of its companies ready to be suspended with the help of internal methods. They insist that each department or business produces at least 30% of its sales on products created in the last four years. At the same time, the culture of the organization supports special activities - for example, they allow employees to work on personal projects up to 15% of their working time. The famous story of the Post-it” and initial rejection by higher officials shows the more subtle cultural aspects of the 3M Company, which facilitate the mobilization of talents of their own people. In the case of 3M, not only there is no attempt to make the company “non-flammable”, on the contrary, it is as if it is already addicted to the fire. Exposing business to changes in the business environment and the characteristics of the business, allowing them to renew the company and thus prolong its lifespan.

Finally, destruction or crisis is the moment to start a business. To open a bank in the midst of the greatest crisis in late 2008 and early 2009 sounds amazing. However, Meredith Whitney, an old American banking analyst said, “Today is the best time to open a bank. Firstly, the new bank starts with a balance sheet and income statement that are clean as a whistle. Second, earnings are increased due to a healthy relationship between the ex-

4 “Safe Food Rapid Response Network”, Safe Food News 1, no. 3 (spring, 1997)
tended loans and deposits available. Third, there is a good relationship between the interest that bank gives on time deposits and deposit rates, i.e. interest rates that banks pay for loans. The best is to compete with banks that do not lend at this moment. They are more concerned about their balance sheets, and not for new loans.5

Regarding this, there is a logical question, what allows a company to revive after death, and even to overcome its most successful period in the phase of “youth”?

Certainly, those are not the people or their property, nor are customers or suppliers. “It” is not a natural or legal structure, or the products and technology. All this can be changed quickly and easily. “It” may be only intangible “things” - common beliefs, stories, memories, visions and values. Only they can give meaning, inspire people - regenerate, and rejuvenate the organization. If all that changes, but not the awareness and attitude toward the technology, the organization is doomed to extinction. The main problem that arises in this context is to raise awareness of people that are constantly changing or destroying the unnecessary knowledge, and habits that have to constantly acquire new knowledge, skills, and new habits. It turns out that it is impossible to acquire new skills and habits, if not eliminate outdated and unnecessary ones. Therefore, in the present conditions the major problem is how to forget the old and to adopt new and more advanced.6

This is also true when we are talking about people who used to work for any organization for which they were emotionally attached. When everything else is gone, they still remember their vision, values, and social contexts that are sometimes inspired by the commitment of thousands of people to stay and work together. Wherever they are after that, these contexts can be recreated and knowledge about them can be transferred to the next generation. Thus, “the company” remains as a scheme of interactivity in the vast network that is far from the boundaries and possibilities of our understanding. However, through this network connection they have the potential to be reincarnated in a new, formal organization at any time, thanks to the introduction of new technologies and organizational forms. Perhaps, in the long run, this is the only way for organizations, which are artificial creations made by humans, to survive and continue to further implement its mission.

4. RESUME

“The creative destruction”, as a phenomenon results from the natural order and natural laws. As such, the analogy can be applied to social and organizational systems. “The creative destruction” as a concept overcomes the theoretical aspects and boils down to a practical course of survival, growth and development of every human being, even the organization as a group of people related to successful achievement of common goals. Example of abandoning Zelezara Smederevo by U.S. investors confirming the above statement, because the steel mill is for a long time in a state of unsustainability, which is why it wasn’t worth keeping it while producing huge losses.

In other words, when organizations experience “a clinical death”, i.e. when they are not able to offer the products or services on the market to meet their demand, the management has to renew it or destroyed, in order to establish a new, sustainable and organization

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5 Fortune, 25 May 2009., p. 58
that will pursue their interests through the production and marketing of quality products at the lower price.

For Serbian companies and management, it is necessary to diagnose the stage in which each organization is and that in accordance with established diagnosis prescribes treatment for its cure, and if that is impossible, to apply the principle of euthanasia according to the creative destruction to destroy it, in order to start a new organization that will emerge like a phoenix that is able to provide its own survival through competition on the market. Maintenance of failed companies in the state of “clinical death” in the long run slows or destroys other successful companies and organizations through metastasis.

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DIVERSIFICATION OF SOCIAL CONSCIOUSNESS AS A THREAT TO INFORMATION AND ECONOMIC SECURITY OF A STATE

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Abstract: The article deals with the mechanisms of diversification of social consciousness as a threat to information and economic security of a state. The important constituent of diversification of public consciousness is a “crises management” that arises up in the consequence of realization of diversification of social consciousness.

Keywords: diversity, information security, irredentism, information confrontation, separatism.

1. INTRODUCTION

The problem of providing national security is arising acutely than ever before in the conditions of globalization. The information safety which includes security of information and information field is the integral part of national security. According to the Law of Ukraine “On Basic Principles of development of Information society in Ukraine in 2007-2015” Information Security is interpreted as a state of security of vital interests of man, society and the state, under which the damage is prevented due to: incomplete, untimely and unreliable information which is used; the negative impact of information; negative effects of information technology, unauthorized distribution, usage, violation of integrity, confidentiality and availability of information [4, p.13]. Therefore, we have to state a poor status of information security in Ukraine because of several reasons both of internal and external character. Similar situations have occurred in other regions of the world.

2. THE METHODS OF DIVERSIFICATION OF SOCIAL CONSCIOUSNESS

Among the threats of the XXI century in the field of information security diversification of social consciousness takes the leading position. Ukrainian scientists Petryk V., Ostroukhov V., Shtokvish O., Galamba M., Petrenko A. define it as the spread of attention of the ruling elite of the state to solve different artificially accentuated problems and thereby diverting its attention from immediate solution of urgent tasks of socio-political and eco-
The methods of diversification of social consciousness are as follows:
- destabilization of the situation in the country or its regions;
- intensification of the campaign against the policies of the ruling elite of the state and some of its leaders in various international institutions;
- initiation of anti-dumping campaigns and other kinds of scandalous trials, the use of international sanctions for other reasons [2].

Agreeing with the above-mentioned approaches, however, we can not mention that there is a certain restriction of methods of diversification. It turns out that it is nothing more than a part of the information confrontation. Therefore, it seems that to the list of the most prominent methods in this situation should also be added the following:
- distraction of the attention and effort of senior military-political state authorities to a secondary or “unsuitable objects”;
- “crisis management”.

3. IRREDENTIST MOVEMENTS

Diversification of social consciousness is possible only with the active use of the methods of a secret war. The agents of influence play an important role in this. First, in the environment that is responsible for the formation of public opinion. Thus a psychological pressure on decision-making is made by the state authorities. A significant place is occupied by resistance to special organs involved in ensuring state safety. According to set tasks the subjects of diversification form incorrect understanding of political and economic measures, carried out in the state, to reduce the activity in providing public safety and protection of national interests. In the unity with this the problem of national intelligence disinformation with regard to the nature, substance and methods of implementation of subversive tasks is considered. The objects of diversification activities in the sphere of public consciousness include general and special ones.

General objects include foreign and domestic policy of the country, the system of national defense and security.

The special objects include specific measures for operation of this system, power and means that are involved in the implementation of the policy of the state, organization of activities of state safety and law enforcement authorities, etc. The objective side of diversification of social consciousness is the threat or actual occurrence in the whole country or in its particular region serious negative effects. The subjects of this act may be an individual person or intelligence agencies, law enforcement authorities as well as mass media. The subjective aspect: diversification of social consciousness is always intentional, has conscious influence on the objects in a given by a subject direction. The usage of diversification of social consciousness is a threat not only to the constitutional order and information security of a country, but also for its territorial integrity. Indeed, one of the important elements to manipulate public opinion is the usage of separatist and irredentist slogans, which is especially actual for Ukraine [1]. A dictionary of foreign words interprets the term “irredentism” as a political movement to join to a country its
historical (former) territories. Modern scholars divide such kinds of international conflicts into irredentist, separatist and autonomist. The attempts of the state where there has been an irredentist movement to suppress it by force, and (on the other hand) its support from outside lead to a particularly acute international crisis. From all definitions of irredentism the most appropriate is the definition of this phenomenon as a form of national movements that act for the separation of certain territory to join to a neighboring state. One of the main causes of local wars and armed conflicts since the Second World War has been the aspiration of ethnic communities to self-determination. Similar intentions acquired various forms of struggle from anti-colonial movements to separatist. However, in all cases, the main cause of the conflict was a national factor. Nevertheless, this not always led to the occurrence of the military-political crises. In highly developed countries this struggle acquired the traits of ethno-linguistic and ethno-cultural movements, not resulting in serious internal turmoil and intervention of other states.

Numerous ethnic conflicts have become the hallmark of the end of XX century. Their nature is diverse. Sometimes they have the character of struggle for their national self-determination (e.g. Basque). However, ethnic conflicts often arise when the particular country already has national administrative entity nearby. Moreover, as evidenced by historical experience, densely populated minority living along with the state formation where it is a titular nation, often leads to international conflicts. Unfortunately, this issue is not resolved clearly in international law. By obvious reasons, individuals may wish to “be embedded” in a neighboring state, as it often happened in the XX century. There are some tragic examples. In particular, Adolf Hitler used irredentism of Germans in his foreign policy. An essential feature of irredentist movements is the presence of nationalistic political movements. We have to mention that nationalistic manifestations may be accompanied by aggressive plans and actions of one nation against the other, until the ethnic cleansing.

This term was actively used in the early 90-s due to the deployment of the ethno-confessional conflict in Bosnia and Herzegovina, when the warring parties began a deliberate policy aimed at destroying not only the armed forces of the enemy but the massive destruction of the population. It was the time when the term “ethnic cleansing” appeared. In 1994, the UN special commission gave the following definition “Ethnic cleansing is a purposeful policy designed by one ethnic or religious group to remove by violent (which cause terror) methods the civilian population of another ethnic or religious group from certain geographic areas “.

The influence of the third party we can consider as the determinative factor of the conflict acuity of present time. Certainly, the probability of the peaceful solution of similar contradictions in any of the historical periods has never depended so much on responsibility of politicians than nowadays. Even elementary ethno-confessional polarisation can result in unforeseeable consequences. The role of the explosion catalyst can be played by either pseudo nationalism or numerous “historical images” that every nation has about their neighbours. The certain contradictions, connected with tragic history, are perceived as insuperable obstacles. A mutual hatred is kept and evinced in politics of the ethnic cleansing, with that leadership in political life is conquered by destructive forces that try to remove any forms of coexistence of ethnic groups on the same territory and create homogeneous ethnic mass there.
“Kill them today, otherwise they will kill you tomorrow”, this slogan first was widely used during a Armenian-Azerbaijan conflict in Nagorno Karabakh and it was widely used during a conflict in Kosovo. Exactly during the later, foreign puppeteer played off their own diversified scenario, confronting world community with an accomplish fact. The above example especially evidently demonstrates the predestination of ethnico-confessional conflict at present time without active interference exactly of the third party [7]. Consequently, irredentism is considered to be one of main diversified threats of contemporaneity. It is necessary to notice that a serious threat to international safety takes place in such situations. Conflicts quickly outgrow into international, as in a process of the irredentism movement development the interference of other states into conflict is inevitable. Whereupon it takes the form of armed conflict which in turn can be either local or multilateral.

Besides, a conflict comes extraordinarily quickly to the stage of escalation that, as a rule, results in the use of armed force. As casus belli conflicting parties use:

a) confrontational political decisions;

b) accidental incident that resulted in human victims or material losses;

c) provocations;

d) insinuations aiming to cause incidents artificially.

Notably, the weaker party more often exploits the provocative methods today, aiming to first of all catch eyes of word community.

The acute of politico-military crises, caused by irredentism movements, is stipulated by the fact that they constitute one of most threats to territorial integrity and political regime of the state. A crisis has fierce and uncompromising character. The complex of political, religious, socio-economic and other reasons are the ground for such a crisis.

Irredentism movements, as a rule, arise at the simultaneous intensification of socio-economic contradictions and ethnic divergences. Where a conflict can either acquire the irredentism tint at once or can pass a certain evolution: autonomy - separatism - irredentism (for example, Turks-Cyprians movement, Kosovo Albanians fight).

It is necessary to notice that the important constituent of diversification of public consciousness is a “crises management” that arises up in the consequence of realization of diversification of social consciousness. The mentioned problem is thoroughly investigated by A.I.Petrenko. He distinguishes the following elements: The “object of crises management is a political, economic, military and other situations that need to be brought to the state of crisis; a subject of crises management is a person or group of the people interested in creation of crisis situation (in an industrial complex, field of economy or in an economy on the whole, in a political situation and others like that); an objective side is to select (to create) and apply special crisis technologies that give an opportunity to create crisis situations and manage them into necessary for a subject directions; a subjective side is to create crisis situations intentionally to pursue own aims [6, p. 144-145]. At the same time, the common name of this process as “crises management” is considered to be not quite accurate. Obviously, “a creation of crisis situations and their management “ would express the essence of this phenomenon more accurately. This is what exactly represented in objective and subject sides of the above mentioned action.
4. CONCLUSION

Counteraction to diversification of public consciousness, in the process of its realization, is extremely complicated. However, the task of its prevention by means of efforts neutralization is absolutely over comable.

First of all it is necessary to provide the proper level of forcasting of the informative-psychological influence of subjects of diversification of public consciousness on a country, its regions, etc. In other words, it is necessary to determine certain prospects of their negative influence on a psyche and social consciousness of people, masses on the whole. Forecasting of the masses is carried out in favour of planning and counteraction realization. Mathematical, heuristic and combined methods of research are successfully used for this [3]. Information patronage, information cooperation and information confrontation can be considered as the basic forms of neutralization.

Information patronage is a form of information safety provision by the state and its institutions for persons and corporate entities. In this case information provision contains gaining information (getting) about destabilizing factors and information threats, their processing, information exchange between the governing organ and subjects of information and means of information safety protection system of protection. Information protection is performed by certain enactments, judicial defence provision, realization of investigative - operational and fact-finding actions by means of law enforcement and their methods, etc. Information cooperation is a form of providing information safety for equal in rights subjects of information process (person, legal, international), that contains complex of mutually agreed actions of these subjects. Such actions are directed to gain information about destabilizing factors, destabilizing and information threats and about all available legal methods and methods and techniques of protection.

The information confrontation is a form of information safety provision that is characterized, on the one hand, by influence on the vitally important systems of search, processing, distribution and storage of the information of opponent, and on the other hand, by taking measures to protect own similar systems from unauthorized and destructive influence. The information confrontation is conducted between the various types of social subjects (persons, societies, states), however a number of such conflict cooperation have certain relatively steady features that totality form the separate forms of confrontation (info war, information terrorism informative criminality).

To conclude, taking into account the acuity of the information confrontation the problem of timely revelation of facts of diversification influence and its neutralization seems to be worked out urgently.

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THE INFLUENCE OF ORGANIZATIONAL CULTURE ON MANAGEMENT AND EMPLOYEES

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Abstract: There are many companies in the market that operate successfully with minimal advertising costs, and whose products and services are characterized by high quality. Employees of these companies are not only satisfied with monthly incomes, but also by the fact, they are a part of a successful team. They share the same value systems and evaluation of internal and external influences on the business processes of the enterprise in which they work. Managers of such companies are responsible for the efficient organization and business management, human resource management, good relationships and market reputation of the company. The aim of this paper is to highlight the importance of organizational culture of companies that are equally reflected in the employees and the managers. It also discusses the impact of organizational culture on managers and employees in our companies, on the one hand and an example of good practice of Japanese managerial class that is in interaction with the organizational culture of the company. The interview with the “Doncafe” company’s employees in Belgrade was used, and the method of deduction was applied in the paper.

Keywords: organizational culture, organization, management, employees

1. INTRODUCTION

All companies have its culture, according to which they are recognized and varied. Organizational culture is created in the process of social interaction and communication among all members of the organization. The results are the shared values, beliefs, and norms of behavior of employees. Organizational culture is the combined experience of all members of the group, through solving everyday problems and a complex pattern of beliefs, expectations, ideas, values, attitudes and behavior. Culture is a kind of “operating system of the organization” that shows the way employees think, work and feel. The organizational culture influences the way of organization, type of structure and the degree of decentralization of authority application, the type of power, degree of formalization, standardization of procedures, method of control, resource allocation, human resources management, the planning, strategy and more, the overall practices and behavior of the entire organization. Between behavior and culture, culture is emerging as a cause and consequence of behavior in a two-way relationship. Organizational culture has many different functions that help the managers in the management of the organization and directing all organizational units and employees towards the achievement of organizational mission, strategy and objectives. Development of organizations brings a change in organizational
culture, i.e., changes in values and beliefs. Organizational cultures in business are different, i.e., appropriate. They direct and determine the awareness and behavior of people in the organization, so that all its members similarly interpret and understand the phenomena around us.

2. THE CONCEPT AND IMPORTANCE OF ORGANIZATIONAL CULTURE OF A COMPANY

The concept of culture and organizational culture defined several authors of which Pržulj states definitions made by Bleicher K. and Petigrew A.: “Culture is a model of shared values and beliefs that give employees the institutional meanings and rules of behavior,” while “Organizational culture is a system of assumptions, values and beliefs that employed have and as such they can be divided according to the basic problems of the company.” Organizational culture has two elements - external and internal. External component includes cultural attitudes, beliefs and values about how to solve the problems of adapting to the external environment. Internal component involves attitudes, values and beliefs about how it is possible to perform a business activity. However, according to N. Janićijević, the author, which has among the first to deal with these issues, organizational culture is still new and under-researched concept. He had just moved from a phase of implementation and elaboration in the development phase and critical appraisal.

Developed organizational culture is directly linked with the efficiency achieved by the company, which is reflecting in the following:
- Directs employees how to behave,
- Prevent false expectations,
- Plays a stabilizing role

A strong organizational culture beats the competition in the market; the employees perceive the future and are ready to welcome it, leading to a positive climate and stability of the company in the market.

It can be said that organizational culture makes that members of the organization in the same way understand the same or similar situations, and that is because of the common understanding of their behavior is in line. When members of an organization understand the particular situation in the same way, this means that for them it has the same meaning.

Current company culture is oriented towards the future and as such contributes to
- Enhancing the mutual cooperation between managers and employees
- Achieving permanent communication, the basic assumptions of timely and valuable information,
- Enables employees to be involved in all crucial processes of company
- Rejection of outdated structures and decentralization of competence and responsibility
- Construction of basic values, through employees of the company for the whole society, which achieves a secure future (it is possible to build the company philosophy in this way)
- Increase of capital and profit

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2 Janićijević, N., Organizaciona kultura (Novi Sad: Ulixes,1987), 38-42.
Four basic dimensions are the base of the organization's culture:\(^4\)

- **Power distance:** the extent to which members of organizations accept that power is distributed unequally in the organization,
- **Uncertainty avoidance:** the extent to which members of the organization feel threatened or misunderstood
- **Individualism:** implies a social structure in which it is assumed that each member needs to take care of himself and loved ones, while collectivism implies a social structure which clearly sets the difference between members and non-members of the group, and where the members of the group can legitimately expect that the group as a collective concern for their well-being
- **Masculinity:** the degree in which “male” values are dominant in an organization or society, including aggression, orientation to earn money and material values, not taking care about other people and their interests. The opposite dimension is femininity.

The functions of organizational culture are adapting to the external environment and the creation of identity by the company in a way that all employees are integrated into a single unit. Culture determines the company's mission and strategy, objectives, means to achieve them (organizational culture, competitive strategy, technology, finance, and other necessary resources), the criteria for measuring results (culture determines the collective view how to measure the results of operation of the enterprise, while the key issue is what are the success criteria?) and corrective actions (culture is to provide a unified position of employees and management regarding changes in the environment).

Culture helps to solve the problem of internal integration by defining:\(^5\)

- **A common language and conceptual categories** (where the language is understood under the specific language and jargon used in an organization, in order to better understands the process of working people)
- **Limitations, groups and the criteria for inclusion and exclusion** from a group (an element of culture in the organization, a criterion on which to determine who is “in” and who is “out”)
- **The criteria for the differentiation of power and influence** (culture develops a unified position on to issue to which members are given more power than others)
- **Criteria for defining collegial relations, and relations of friendship and love** (through the culture, the group members create a common view of what colleague relationships are appropriate at work, how to express emotions in friendship or group or organization)
- **Criteria of awarding and punishing** (a common position on what and how to reward or punish)

Only in terms of developed organizational culture, employees can be identified with the company. Apart from motivating salary, one of the most important needs that people meet in companies is the need to belong to a particular social group. Identification with the company will only be possible if it has a strong culture. Encouraging identification of employees with the organization, a strong culture leads to the commitment to the company where they work. This raises the level of their work motivation. Motivation is effective when people pool their resources with the goals of the organization and thereby reach


their personal and professional goals. The task of the higher and lower managerial class was to design the most efficient way to manage not only the project cycles and business processes, but also human resources in order to foster and preserve the existing organizational culture. “The manager today should not be only “a top manager “, but must be the primary leader, the one who provides orientation to the company, who is a role model according to which the employee may be directed, assumes the personal credibility, employee orientation and excellent communication. Executives much more act through their behavior, then through what they say. It is worth saying, “what you are saying and the way you look is so strong that I cannot hear what you say. The procedures used as examples have much more effect than declamation.”

3. SIGNIFICANCE AND TYPES OF MANAGERS

Management is the process of planning, organizing, leading and controlling the work of employees in the company, and the use of all available resources of the organization to achieve certain goals. These are the basic elements of management set by Peter Drucker. The primary obligation of managers is to make decisions of business policy implementation and control of operations, takes into account the long-term interests of the company, the satisfaction of all stakeholders and increase economic efficiency. Practice shows many types of managers and management types that can be classified according to different categories. Basic typological classification management is performed vertically and horizontally. According to the vertical (hierarchical) definition, management can be classified into several subordinate layers depending on the complexity of the business organization and hierarchy levels at which decisions are making. In order to classify the hierarchy management easier the vertical gradation of management in theory is usually carried out at three levels, namely:

- Top management
- Mid-level management
- First-line management

Top managers should primarily have developed the so-called conceptual abilities. These are the ability to coordinate and integrate all interests and activities within enterprises and collectives. Top managers should primarily look at the whole, not the parts of the system they manage, because they are responsible for the functioning of the whole, not the parts for which so-called sector managers are in charge. Middle managers, i.e. sectoral managers should possess skills (psychological and social) and the skills of cooperation, understanding and motivating other people - both individuals to communicate with management and working groups (teams) responsible for carrying out certain parts. Managers at this level should observe every business task and realize the positive economic aspect, which means that the economy is the primary field of the mid-level managers. First-line managers, i.e. lowest level managers should have appropriate technical skills, appropriate people and tasks in which competence. It is the ability to successfully perform the specific processes and procedures and concrete operational activities. This means that technology

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6 U. Wever, *Unternehmenskultur in der Praxis* (Campus, 1992), 175.
is a primarily field of hiring managers at this level of management. Horizontal (sectoral) classification of management refers to the typological classification according to functional managers (sector) tasks that are performed in the implementation of its statutory management tasks. The classification of this type can be achieved at different levels of management, where division of sectoral management tasks is specific for top management, top right under the owner or general manager. In most large and complex businesses, and other structured business systems - under the owner of the organization, the general manager or president of the business sector, there are executives bodies (directors of departments) who directly manage and direct the operation of the financial sector, technology sector, commercial sector, development sector, general sectors and services. Sectoral executives by vocation are specialists in a particular field of study that cover with their status. Special terms define the lower, middle and senior management layer, depending on the type of company or institution. They clearly define the goals and objectives that have director, head, chief, supervisor, coordinator, executor, administrator, secretary or some of the terms used to indicate the person who designs, plans, organizes, leads, controls and/or review process of a complex operation. In this work, as a rule there are subordinate executives, but this may not always be the case. There are managers who plan and lead a certain business process, without subordinate employees. In order to more clearly understand the meaning of managers and their functions, there are seven functions of management, which to a greater or a lesser extent each manager performs, presented by Roger Oldcorn, British management theorist. According to him, the main function and main tasks of managers are:

- Responsibility for staff
- Decision-making
- Development of plans
- Process control and people control
- Review
- Cooperation with colleagues and clients, and
- Financial, marketing, developmental, general responsibility, etc.

A manager has multiple tasks. He is an expert, whose job is creation and scheduling, organizational decision-making and operationalization of business controls and audits their performance. This means that the manager must operate successfully to think and act in a variety of sizes. All these dimensions of engagement are generally opting business goals and objectives of management, for which manager bears direct or indirect liability. If the manager is responsible for the realization of multiple functions in a business system, performs some of these functions and ignores other, it inconsistently performs its tasks and is not a good manager. Management involves the possession of complex knowledge and requires the whole personality. Two functions are common determination of all managers, namely, all have to make decisions and have to communicate. This suggests that managers are not “self-shooters”, but “team players” or more accurately “team leaders” who are grouped together in order to achieve certain tasks and assignments. As team leaders, professional managers work with other “teams” and their “leaders”. Based on mentioned
collaboration and management activities, interesting business and other interactions of different levels and content are creating:11

- Managers operate on the basis of reciprocity and interdependence, which means to influence the (business) and results (performance) of other employees and managers, but also those other interactive have impact on the work of managers and their financial performance,
- Managers with their work and attitude differently influence other people - for better or worse, with the number and responsibilities of these other people, nature and extent of managerial influence them depends both on the scope and nature of management (authorities of the manager) and of the rational and consistency in its application,
- Managers typically account for more species, areas and levels of communication.
- The effects (results) of managers are usually expressed through the results of the work of subordinate employees,
- Managers perform their duties and exercise success or failure in a particular environment: market, ideological, political, economic, cultural, religious, social, psychological, organizational (corporate) and others.

The conclusion is that managers cannot successfully carry out their business tasks, unless they have the necessary knowledge and information about the region: relations, the performers who appear in it, about the opportunities and generated dangers and everything else that affects the success of the performance of managerial job. The concept of successful management is not linked only to knowledge and information managers, but also for their vision, with which they found their business and life goals, and mission of the company, strategic and operational goals, willingness and commitment to the vision, mission and goals to be achieved.

Most authors agree that the nature, level and management content determines the nature, level and content of managerial knowledge and information, which certain managers should have in performing its statutory allocated tasks. The needs for knowledge and information of top managers of a large and complex organization with thousands of employees and first-line managers, i.e. supervisors within the company are different. They even doesn't share the same cognitive and informational needs of managers in charge of the production plant of the managers of leading finance or personnel department of the organization.

Companies that employ so-called the managers of third millennium have the knowledge and skills to organize work, which means they are successful in their management and leadership functions. They have knowledge of management in addition to the new technological developments in the area that are closely related, have certain expertise and information of modern managerial character that scientific technical level, where a modern economy and society dictate that. The above-mentioned knowledge and information modern managers need to dispose are not uniform in character, but relate to the different spheres of science and profession and the different activities. Include:

- Working technology which organizations (business system) deals with
- Information and computer technologies
- The techniques and skills of interpersonal and mass-mediated communication
- Knowledge of work psychology and psychology of communication

- Knowledge of social and political relations in society  
- Information about fashion and fashion trends, and  
- Other relevant knowledge and information directly or indirectly related to the work of specific managers and their organizations.

4. SELECTION OF MANAGER ACCORDING TO THE TYPE OF ORGANIZATION

Type of organization is very important for the management of a company (organization, company, house), and hence the choice of management structure. Under the classical organization should bear in mind two possible approaches:\textsuperscript{12}

- A classic organization,
- The organization based on the classical theoretical paradigms

In this case, we can assume that these positions are equal, and that classically organized company is based on the principles of classical theory. To this approach can be given objections from the position of non-homogeneity of the classical theory, because this is about theoretical approaches and there is a question on which of them is organized enterprise that fit into this classification. From the standpoint of the modern enterprise, these theories are outdated in many respects. In the same way, we can talk about the fact that many of the scientific creation of the old century are obsolete and should not be studied therefore. Many companies in Serbia, according to its development, are in the classical phase and the question is whether they can accept modern methods of organization. If they opt for the position of the classical methods of apologetics, that means that the economy is going to be retracted into retrograde processes, that we are coming back and that we make it uncompetitive. If we skip a certain stage of development, the system is going to be left without support and will be based on an extremely precarious basis! In order to improve the company’s business, we are increasingly investing and working to improve the quality of human resources. This is another way of managing changes in the market environment that leaders must be aware of and ready, waiting for them. Human resource management in hotel management is a new concept dealing with employees and the way of managing their work and development. It was created as the last stage of the development of human resources management and response to changes that have occurred in the economic sphere (the concept of a market economy), organization (new organizational forms, globalization, etc.) and management (changes in the structure, content and methods). A major contribution to the emerging of this concept is giving science (theory of organizations, sociology, psychology, communication, computer, etc.), primarily through the application of knowledge in practice. Within modern management is increasingly developing its guidance as a sub-function, and the significance of managers is also growing. Thus, in terms of creating an entrepreneurial economy creates entrepreneurial hotel management. The essence of leadership is winning people who recognize and want to follow the leader. It mainly relies on the prediction of what might be, rather than on an analysis of what it is. Manager seeks to optimally use all available resources to achieve the greatest possible impact, and modern leader sees chances. It actually improves and changes them, and makes them new and different from existing ones. In practice, the term is often at-

\textsuperscript{12} M. Petković, \textit{Organizaciono ponašanje} (Beograd: CID Ekonomskog fakulteta u Beogradu, 2008), 90-91.
tributed to the management and supervisory boards of the business system. Management is the group of people who control the business, including the functional directors, board members and other senior management staff ranks in the business system (organization). Top manager (administration, regardless of the name) chooses general meeting of shareholders or board of directors, the owner or his representative. Instead of the term general manager, today the most common is the term president (of an organization, of a corporation).

5. EXAMPLES OF BEST PRACTICES - THE EFFECTS OF ORGANIZATIONAL CULTURE ON MANAGEMENT LAYER AND EMPLOYEES ON THE EXAMPLE OF SERBIA AND JAPAN

Above-mentioned facts confirm studies conducted during the May 2012, using the method of oral interviews with workers employed in the manufacturing sector of “Doncafe” in Belgrade, as well as lower and middle managerial layer of Strauss Group within the same company. Production staff has declared that their managerial layer is highly skilled and professional, take care of the market positioning of products (“Doncafe”), motivation of employees, and even professional development and additional incentives. These are good indicators that the organization and the existence of organizational culture (values and valuation) significantly depends on the structure, skills and knowledge managers, and one might say that the organizational culture of the company affects the managers and employees, not just with the constant exercise of positive financial performance of the enterprise, but also the degree of satisfaction and loyalty on which the employee declared. In addition, a telephone interview was used to examine managerial layer of the company. The first comment was that the constant training of managers at all levels (new technologies of the production process, information knowledge and skills, innovation in the manufacturing and selling of coffee), and frequent team buildings further strengthened codes of conduct, values and loyalty of employees to managers of the company and performers. The practice of Japanese companies proved that various activities and the practice of personal service contribute to the effective functioning of the organization. For example, job rotation improves the exchange of valuable judgments and information, and the formation of the aforementioned interpersonal networks and develops general skills important for administering, for management. In Japanese companies, a middle management layer plays a very important role. This layer consists of executives at the level of the head of sector (bucho) and head of department (kacho).13 Those are mostly men between thirty and fifty-seven years old, who are working in the company for over fifteen years - that is, from graduation.

Bucho is usually recruited from the ranks of competent and capable chief of section assistants (fukubucho) or department heads - kacho. In large companies, such jobs fill out of the company. Kacho status acquire those who are considered to be promising and are recruited from the ranks of supervisors. When someone becomes kacho, automatically ceases to be a member of the trade union. Does not receive compensation for overtime, but they get bonus for a managerial position. It can be said that bucho - head of sector – is a candidate for directorship and kacho - head of department – is a candidate for the bucho position.

Business premises in Japan are designed in a way that provides “Bucho” and “Cacho” to work with their staff in a large room. Separate offices have only the top leaders - the president of the company, general manager and executive vice president. Working together in the same large room, people can more often enter into contact with each other - interaction - so the exchange of large amounts of information is possible.

Japanese companies have developed various effective methods and ways of collecting useful suggestions and ideas of its employees, for example, activities in smaller groups, boxes for inserting written suggestions competitions between groups, campaigns for greater productivity, and so on.

According to the Japanese Commercial Code, every company must appoint a general manager and form the board of directors. It is customary that company must be represented by the executives, such as chairman, president, executive assistant to the president, senior operating officer or COO. These are, however, only the title that means the position, but not always the hierarchical relationship on the organization chart. Although, legally speaking, the board of directors is the highest authority in the decision-making process; the actual decisions are usually made in the operating board of directors.

Table 1 shows the number of activities during a week of the president of the Nik Travel Company - one of the leading tour operators. This particular company has been around for a long time, and its chief executive is a person who receives a regular salary for its work, and get to that position by receiving promotion within the company. The table shows only the most important of his activities, he, in addition, approve the decisions on important issues, receives reports from the manager, receives visitors and attends ceremonies, such as weddings and funerals. The list of his duties includes many important functions of the management structure.

**Table 1: Activities of the president of Nik Travel Company**

<table>
<thead>
<tr>
<th>Weekdays</th>
<th>Morning</th>
<th>Afternoon</th>
<th>Dinners, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>Interview with the press</td>
<td>Conference with the presidents of clients - dealers</td>
<td>Dinner with the presidents - dealers</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Meeting of the operational directors</td>
<td>Meeting of the senior operating directors</td>
<td>Dinner with the representatives of major financial institutions</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Board of directors meeting</td>
<td>The meeting of the highest body for total quality control</td>
<td></td>
</tr>
<tr>
<td>Thursday</td>
<td>Meeting of the heads of sector</td>
<td>Meeting of the presidents of subsidiaries and affiliates</td>
<td>Classmates reunion</td>
</tr>
<tr>
<td>Friday</td>
<td></td>
<td>Meeting of the presidents of the industry it belongs to the company</td>
<td>/</td>
</tr>
<tr>
<td>Saturday</td>
<td>(Holiday) Golf tournament with major customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Kansai, K.T.P.: The secret of the success of Japanese companies, IQ media & HAT, Belgrade, 1994, p. 88*

Middle managers in Japanese companies must have the ability to understand their company as a whole. They must at all times know the extent to which various departments and
sectors depend on each other, and how the things that happens in one department affect other departments, etc. If not - it will not be able to make appropriate decisions. Generally, the traditional view among employees in Japanese companies is that they live to work. This can be said for the part of the organizational and corporate culture of managers and employees in enterprises in Japan, which is absent in European countries. Values and attitudes of managers and employees in enterprises in Japan were cultivated and improved for years. Although they have foundation regarding the culture and tradition of the country, they are happy to accept innovations in system organizations coming from the environment, organizational culture based on loyalty, trust and efficient business. For companies in Serbia that is one of the tasks that will inevitably ensue after a painful transition that is in progress. For this reason, it is necessary to begin today with activities aimed at strengthening the organizational culture!

6. RESUME

Businesses and companies operate according to market principles taking into account the economic categories of supply and demand, but they are also the sociological constructs with the characteristics of a particular cultural group. As the organization is an open system that exchanges information with its environment, so the organizational culture to a great extent depends on the internal influence and the environment. The organization, as such, creates its goals, mission, vision and purpose, establishing an evaluation system, formulates norms of behavior and thus creates an organizational culture. Management layer affects the creation of organizational culture, but established behavioral norms and value systems affect all levels of control in the company. Depending on what type of organization is in question, and the life cycle of the company, managers can appear in the role of creator and promoter of the organizational culture. There is no rule that can shape the behavior of managers in relation to the organizational culture of the company. Although there is often a positive influence of organizational culture on managers, it is possible that the role of managers show as negative, which is usually related to the personality profile of individuals or misinterpretation of internal-external influences on the organization. The paper gives an example of good organizational culture that reflects positively on the managers and employees of the “Doncafe” Company, where team buildings are often organized, meetings and discussions with staff, which in this company feel like family members. On the other hand, it shows the organization and management of Japanese companies, where employees are forming certain attitudes, values and norms of behavior, which thanks to the way the internal organization and management methods can be categorized into the types or kinds of cultures. For a typology of cultures, it is important to emphasize that it is more a tendency than the rule and it is important that the type or types of culture are consistent with the type of task, the manner in which it is essential that the tasks be performed, and the stage of maturity of an organization (cultural harmony). There are also preferences of individual for a particular type of culture, which should be considered when selecting new employees, especially managers.
THE INFLUENCE OF ORGANIZATIONAL CULTURE ON ...

BIBLIOGRAPHY:

A STUDY ON EUROPEAN OFFSHORE FINANCIAL CENTERS

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Summary: The article involve a study on the off shores, its qualities, brief analysis of the European offshore financial centers with conclusion on the wealth disproportion in a post-industrial world.

Keywords: Offshore financial center, offshore jurisdiction, asset protection, tax evasion

Every man is entitled, if he can, to order his affairs so as that the tax attaching under the appropriate acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity, he cannot be compelled to pay an increased tax.

Lord Tomlin, Duke of Westminster’s Case (1936)

1. INTRODUCTION

International Monetary Fund defines offshore financial center (OFC) as ‘a country or jurisdiction that provides financial services to nonresidents on a scale that is incommensurate with the size and the financing of its domestic economy’[1].

2. ANALYSIS OF EUROPEAN OFFSHORE FINANCIAL CENTERS

The following main reasons for OFC formation exist, both legitimate and illegal (Table 1):

<table>
<thead>
<tr>
<th>Legitimate reasons</th>
<th>Illegal reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset holding vehicles</td>
<td>Creditor avoidance</td>
</tr>
<tr>
<td>Asset protection</td>
<td>Market manipulation</td>
</tr>
<tr>
<td>Avoidance of forced heirship provi-</td>
<td>Tax evasion</td>
</tr>
<tr>
<td>sions</td>
<td></td>
</tr>
<tr>
<td>Collective investment vehicles</td>
<td>Money laundering</td>
</tr>
<tr>
<td>Derivatives trading</td>
<td>Drug, human, illegal arms trafficking</td>
</tr>
<tr>
<td>Exchange control trading vehicles</td>
<td>Fleeing of bankruptcy orders</td>
</tr>
<tr>
<td>Joint venture vehicles</td>
<td>Other types of fraud</td>
</tr>
<tr>
<td>Stock market listing vehicles</td>
<td></td>
</tr>
<tr>
<td>Trade finance vehicles</td>
<td></td>
</tr>
</tbody>
</table>
The main qualities of the offshore financial center are at least on the following:

- low taxation on income, property, capital gains, inheritance;
- anonymity of the owners, beneficiaries, management, or trusts foundations, both to the government bodies and to the public;
- low requirements to the financial reporting and statutory audit;
- bank secrecy;
- other benefits (geographical location, political stability, etc.).

As our goal is to depict main offshore financial centers in Europe, we shall list them.

**Table 2: European Offshore Financial Centers briefing**

<table>
<thead>
<tr>
<th>Country</th>
<th>Offshore qualities</th>
<th>Country's share in global offshore jurisdictions (est.) [2]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andorra</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Austria</td>
<td>Anonymity of beneficiaries; exemption of worldwide income taxation for non-residents</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Belgium</td>
<td>Anonymity of trusts and company ownership to the public</td>
<td>Low (1-5%)</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Guernsey</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Hungary</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Isle of Man</td>
<td>Trusts anonymity, partial anonymity of beneficiaries, and anonymity of accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Ireland</td>
<td>Low corporate income tax, absence of transfer pricing rules, EU membership, trusts anonymity, anonymity of beneficiaries</td>
<td>Low (1-5%)</td>
</tr>
<tr>
<td>Italy</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Jersey</td>
<td>Non-taxation of corporate profits and capital gains; trusts anonymity, anonymity of beneficiaries and accounts to the public</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Latvia</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Low taxation, EU membership, partial bank secrecy, trusts anonymity, anonymity of beneficiaries and accounts to the public</td>
<td>Very large (&gt;10%)</td>
</tr>
<tr>
<td>Malta</td>
<td>Trusts anonymity</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Monaco</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Double taxation treaties resulting in a low taxation, trusts anonymity, anonymity of beneficiaries and accounts to the public</td>
<td>Very low (&lt;1%)</td>
</tr>
<tr>
<td>Portugal (Madeira)</td>
<td>Trusts anonymity, anonymity of beneficiaries and accounts to the public.</td>
<td>Very low (&lt;1%)</td>
</tr>
</tbody>
</table>
San Marino  | Trusts anonymity, anonymity of beneficiaries and accounts to the public | Very low (<1%)  
Spain  | Trusts anonymity, anonymity of beneficiaries and accounts to the public | Low (1-5%)  
Switzerland  | Partial bank secrecy, low taxation, trusts anonymity, anonymity of beneficiaries and accounts to the public | Large (5-10%)  
United Kingdom (the City of London)  | Head of the Commonwealth – being a network of the satellite offshore states; domicile tax rules (income abroad UK is not taxed); partial bank secrecy; trusts anonymity, anonymity of beneficiaries to the public | Very large (>10%)  
Vatican City  | Trusts anonymity, anonymity of beneficiaries and accounts to the public | No data

We can outline that the United Kingdom (the City of London jurisdiction), Luxembourg and Switzerland constitute 20%, 13% and 6%, respectively of the global market for offshore financial services. It should be noted, however, that the United Kingdom effectively influences on the major jurisdictions such as Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Canada, Cayman Islands in North America, and already listed Cyprus, Isle of Man, Jersey, Guernsey, Gibraltar in Europe, and India, Maldives, Seychelles, Singapore in Asia, making its share even larger. First of all, we should not mix the City of London and the UK. The City Corporation, as it is known, is today the municipal authority for the City of London, a roughly 2.9 sq. km of prime London real estate located at the geographical heart of London. The City of London Corporation enjoys special privileges and rights— which are different in some ways from regular UK governance – since the Medieval ages – which makes the City as an offshore. [3] One of the most important rights that the City Corporation sought to protect was the freedom to trade relatively unrestricted from the national government presuming various forms of freedom from taxation. In the 20th Century, and particularly in its second half, the City Corporation has become increasingly focused on defending the freedoms of finance.

Also, another legal development rising from British common law is the trust concept, whereby ownership of an asset can be separated out from its control. Trust schemes can be used to create almost opaque secrecy barriers, they are almost never registered or on public record; there is usually no requirement to disclose financial statements; in many offshore jurisdictions there are no requirements for trustees or other trust agents to collect tax or even inform authorities of disbursements, and so on.

Consequent to the dissolution of the British Empire in the middle of the 20th century, an effectively unregulated financial space (Euromarkets) appeared in the City of London with the Bank of England’s approval. This started the beginning of a new business model for London, which was not longer dependent on the Empire to sustain its position, and had to seek its ‘competitive’ advantage in financial regulation, offering escape routes and safe havens for financial interests worldwide.

This was particularly attractive to Wall Street Banks and European and notably Russian capitals, which were constrained by the local laws. The Euromarkets – essentially a stateless, sparsely regulated financial market – grew spectacularly (and spread quickly to other financial centers) and was soon the cornerstone for the growth of London as a financial centre. We outline therefore, that the abovesaid information makes the United Kingdom (the City of London jurisdiction) the top European offshore financial center.
3. CONCLUSION

As we also can note, an offshore jurisdiction can not possess the minimum tax rate possible, but instead most of them offer the high degree of confidentiality and business privacy. Therefore, the information on the funds engaged in the OFC is limited to the indirect research and is never accurate.

Another character of the modern economy, to which off shores also apply, is the growing wealth disproportion, not only between the Western and Eastern countries, but also within the developed countries (e.g., capital outflow from Spain and Greece, disproportion between the City of London and the rest of the UK) and even within the top of the developed countries.

In this situation, the top rich strata tend to move their wealth to the enclave offshore jurisdictions with private army and central government. If we remember that in the mid 2012, Apple capitalization exceeded Spain, Portugal and Greece companies combined [4], we can make a historical recurrence in this case which is connected with the medieval Crusades and the foundation of the crusader states, chivalric orders, which are unattached to the home territory and are globalized.

BIBLIOGRAPHY:

INFLUENCE OF GLOBALIZATION PROCESS TO THE MODERN ECONOMICAL AND SOCIAL LIFE

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Abstract: The article contains the analyses of influence and consequence of modern global process on economic life and society. It reveals principles of main global organizations, approaches for measuring globalization and examine a wide range of effects produced by global processes.

Key words: globalization, GATT, WTO, net migration rates, KOF-index, health policy, confrontational cultures.

1. INTRODUCTION

Globalization, since World War II, is largely the result of planning by politicians to break down borders hampering trade to increase prosperity and interdependence thereby decreasing the chance of future war. Their work led to the Bretton Woods conference, an agreement by the world’s leading politicians to lay down the framework for international commerce and finance, and the founding of several international institutions intended to oversee the processes of globalization.

2. MAIN PRINCIPLES OF GATT AND WTO

These institutions include the International Bank for Reconstruction and Development (the World Bank), and the International Monetary Fund. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade. Since World War II, barriers to international trade have been considerably lowered through international agreements — GATT. Particular initiatives carried out as a result of GATT and the World Trade Organization (WTO), for which GATT is the foundation, have included:

Promotion of free trade: elimination of tariffs; creation of free trade zones with small or no tariffs
Reduced transportation costs, especially resulting from development of containerization for ocean shipping.
Reduction or elimination of capital controls
Reduction, elimination, or harmonization of subsidies for local businesses
Creation of subsidies for global corporations
Harmonization of intellectual property laws across the majority of states, with more restrictions
Supranational recognition of intellectual property restrictions (e.g. patents granted by China would be recognized in the United States)

Cultural globalization, driven by communication technology and the worldwide marketing of Western cultural industries, was understood at first as a process of homogenization, as the global domination of American culture at the expense of traditional diversity. However, a contrasting trend soon became evident in the emergence of movements protesting against globalization and giving new momentum to the defense of local uniqueness, individuality, and identity, but largely without success.

The Uruguay Round (1986 to 1994) led to a treaty to create the WTO to mediate trade disputes and set up a uniform platform of trading. Other bilateral and multilateral trade agreements, including sections of Europe's Maastricht Treaty and the North American Free Trade Agreement (NAFTA) have also been signed in pursuit of the goal of reducing tariffs and barriers to trade.

World exports rose from 8.5% in 1970, to 18.2% of total gross world product in 2010.

3. MEASURING GLOBALIZATION

Looking specifically at economic globalization, demonstrates that it can be measured in different ways. These center around the four main economic flows that characterize globalization:

Goods and services, e.g., exports plus imports as a proportion of national income or per capita of population

Labor/people, e.g., net migration rates; inward or outward migration flows, weighted by population

Capital, e.g., inward or outward direct investment as a proportion of national income or per head of population

Technology, e.g., international research & development flows; proportion of populations (and rates of change thereof) using particular inventions (especially 'factor-neutral' technological advances such as the telephone, motorcar, broadband)

As globalization is not only an economic phenomenon, a multivariate approach to measuring globalization is the recent index calculated by the Swiss think tank KOF. The index measures the three main dimensions of globalization: economic, social, and political. In addition to three indices measuring these dimensions, an overall index of globalization and sub-indices referring to actual economic flows, economic restrictions, data on personal contact, data on information flows, and data on cultural proximity is calculated.

Data is available on a yearly basis for 122 countries, as detailed in Dreher, Gaston and Martens (2008). According to the index, the world's most globalized country is Belgium, followed by Austria, Sweden, the United Kingdom and the Netherlands. The least globalized countries according to the KOF-index are Haiti, Myanmar, the Central African Republic and Burundi.

A.T. Kearney and Foreign Policy Magazine jointly publish another Globalization Index. According to the 2006 index, Singapore, Ireland, Switzerland, the Netherlands, Canada
and Denmark are the most globalized, while Indonesia, India and Iran are the least globalized among countries.

4. EFFECTS OF GLOBALIZATION

Globalization has various aspects which affect the world in several different ways such as:

**Industrial**
Emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies. Particularly movement of material and goods between and within national boundaries. International trade in manufactured goods increased more than 100 times (from $95 billion to $12 trillion) in the 50 years since 1955. China’s trade with Africa rose sevenfold during 2000-07 alone.

**Financial**
Emergence of worldwide financial markets and better access to external financing for borrowers. By the early part of the 21st century more than $1.5 trillion in national currencies were traded daily to support the expanded levels of trade and investment. As these worldwide structures grew more quickly than any transnational regulatory regime, the instability of the global financial infrastructure dramatically increased, as evidenced by the financial crisis of 2007–2009.

As of 2005-2007, the Port of Shanghai holds the title as the World's busiest port.

**Economic**
Realization of a global common market, based on the freedom of exchange of goods and capital. The interconnectedness of these markets, however meant that an economic collapse in any one given.

India is right now home of almost every well known I.T company around the globe. Four Indians were among the world’s top 10 richest in 2008, worth a combined $160 billion. In 2007, China had 415,000 millionaires and India 123,000.

**Health Policy**
On the global scale, health becomes a commodity. In developing nations under the demands of Structural Adjustment Programs, health systems are fragmented and privatized. Global health policy makers have shifted during the 1990s from United Nations players to financial institutions. The result of this power transition is an increase in privatization in the health sector. This privatization fragments health policy by crowding it with many players with many private interests. These fragmented policy players emphasize partnerships, specific interventions to combat specific problems (as opposed to comprehensive health strategies). Influenced by global trade and global economy, health policy is directed by technological advances and innovative medical trade. Global priorities, in this situation, are sometimes at odds with national priorities where increased health infrastructure and basic primary care are of more value to the public than

Britain is a country of rich diversity. As of 2008, 40% of London’s total population was from an ethnic minority group. The latest official figures show that in 2008, 590,000 people arrived to live in the UK whilst 427,000 left, meaning that net inward migration was 163,000.

**Political**
Some use «globalization» to mean the creation of a world government which regulates the relationships among governments and guarantees the rights arising from social and economic globalization. Politically, the United States has enjoyed a position of power among
the world powers, in part because of its strong and wealthy economy. With the influence of globalization and with the help of The United States’ own economy, the People’s Republic of China has experienced some tremendous growth within the past decade. If China continues to grow at the rate projected by the trends, then it is very likely that in the next twenty years, there will be a major reallocation of power among the world leaders. China will have enough wealth, industry, and technology to rival the United States for the position of leading world power.

**Informational**
Increase in information flows between geographically remote locations. Arguably this is a technological change with the advent of fibre optic communications, satellites, and increased availability of telephone and Internet.

**Language**
The most popular language is Mandarin (845 million speakers) followed by Spanish (329 million speakers) and English (328 million speakers). About 35% of the world’s mail, telexes, and cables are in English. Approximately 40% of the world’s radio programs are in English. About 50% of all Internet traffic uses English.

**Competition**
Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in various industries have to upgrade their products and use technology skillfully in order to face increased competition.

**Ecological**
The advent of global environmental challenges that might be solved with international cooperation, such as climate change, cross-boundary water and air pollution, over-fishing of the ocean, and the spread of invasive species. Since many factories are built in developing countries with less environmental regulation, globalism and free trade may increase pollution. On the other hand, economic development historically required a «dirty» industrial stage, and it is argued that developing countries should not, via regulation, be prohibited from increasing their standard of living.

The construction of continental hotels is a major consequence of globalization process in affiliation with tourism and travel industry, Dariush Grand Hotel, Kish, Iran

**Cultural**
Cultural growth of cross-cultural contacts; advent of new categories of consciousness and identities which embodies cultural diffusion, the desire to increase one’s standard of living and enjoy foreign products and ideas, adopt new technology and practices, and participate in a «world culture». Some bemoan the resulting consumerism and loss of languages. Spreading of multiculturalism, and better individual access to cultural diversity (e.g. through the export of Hollywood and, to a lesser extent, Bollywood movies). Some consider such «imported» culture a danger, since it may supplant the local culture, causing reduction in diversity or even assimilation. Others consider multiculturalism to promote peace and understanding between peoples. A third position gaining popularity is the notion that multiculturalism to a new form of monoculture in which no distinctions exist and everyone just shift between various lifestyles in terms of music, cloth and other aspects once more firmly attached to a single culture. Thusly not mere cultural assimilation as mentioned above but the obliteration of culture as we know it today.
Greater international travel and tourism. WHO estimates that up to 500,000 people are on planes at any one time. In 2008, there were over 922 million international tourist arrivals, with a growth of 1.9% as compared to 2007.

Greater immigration, including illegal immigration. The IOM estimates there are more than 200 million migrants around the world today. Newly available data show that remittance flows to developing countries reached $328 billion in 2008.

Worldwide fads and pop culture such as Pokémon, Sudoku, Numa Numa, Origami, Idol series, YouTube, Orkut, Facebook, and MySpace. Accessible to those who have Internet or Television, leaving out a substantial segment of the Earth's population.

Worldwide sporting events such as FIFA World Cup and the Olympic Games.

Incorporation of multinational corporations in to new media. As the sponsors of the All-Blacks rugby team, Adidas had created a parallel website with a downloadable interactive rugby game for its fans to play and compete.

Social
Development of the system of non-governmental organizations as main agents of global public policy, including humanitarian aid and developmental efforts.

Technical
Development of a Global Information System, global telecommunications infrastructure and greater transborder data flow, using such technologies as the Internet, communication satellites, submarine fiber optic cable, and wireless telephones.

Increase in the number of standards applied globally; e.g., copyright laws, patents and world trade agreements.

Legal/Ethical
The creation of the international criminal court and international justice movements. Crime importation and raising awareness of global crime-fighting efforts and cooperation. The emergence of Global administrative law.

Religious
The spread and increased interrelations of various religious groups, ideas, and practices and their ideas of the meanings and values of particular spaces.

Nowadays problems connected with coexisting of different types of organizational culture don't lose its actuality. It can be explained by the open character of national economics, global integration and globalization. That's why it is necessary to consider the main issues of different cultural structures. It allows to understand well the modern process which take place in economical relations inside corporation on different levels.

Moreover the analyses of distinguished features of different classes of organizational culture helps to examine current situation and particularity of behavior of main economical agents.

5. CONCLUSION

The analyses of effects of global processes indicates their importance and multifunctional aspect. Objectively its hard to mark purely positive or negative consequences of globalization.
BIBLIOGRAPHY:


SERVICE INNOVATIONS: NEO-SCHUMPETERIAN PERSPECTIVE

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Summary: The article deals with short analytical review of theoretical approaches to the investigation of services and service innovations from Neo-Schumpeterian perspective. The main approaches to services classifications are taken into consideration. The evolutionary stages of main standpoints on service innovation processes are examined.

Keywords: services, service innovation, Neo-Schumpeterian, classification

1. INTRODUCTION

Since J. Schumpeter (1934) innovation has been considered to be a key factor of market competition and a main source of economic growth. Our comprehension of innovation process has been built only on studies of manufacturing sectors. This state of things is determined mainly by high deal of shares of industry in economy. Since mid of XX century started the deindustrialization process of developed economies (for instance, 1955 in the US, 1950 in the UK, 1973 in France and 1980 in Japan). Fast growth of service sectors over past decades has been focus of attention to the innovation processes in services. But actually service innovations literature is sparse, and the problem has not been discussed fundamentally yet. This article will be concentrated on the short analytical review of theoretical approaches to services classification and patterns of innovation in services firm.

2. INNOVATIONS IN SERVICE SECTORS

In our opinion, one of the key problems in service innovation theory is a generalizations complexity concerning service innovations because of their heterogeneous nature. The same reason determines difficulties of service activities classification. There are few approaches to services classification represented in table 1.

<table>
<thead>
<tr>
<th>Author</th>
<th>Classification</th>
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<tbody>
<tr>
<td>The Office for National Statistics (ONS) – UK National Accounts</td>
<td>Distribution, hotels and catering; transport storage and communications; business services and finance; and government and other services. (Services which concern interactive mode of production are not including in the classification)</td>
</tr>
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</table>
**UN Statistics Division – International Standard Industrial Classification of All Economic Activities (ISIC Rev.4)**

<table>
<thead>
<tr>
<th>Code</th>
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<tr>
<td>G</td>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles; H (Transportation and storage); I (Accommodation and food service activities); J (Information and communication); K (Financial and insurance activities); L (Real estate activities); M (Professional, scientific and technical activities); N (Administrative and support service activities); O (Public administration and defence; compulsory social security) P (Education); Q Human health and social work activities); R (Arts, entertainment and recreation); S (Other service activities); T (Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use); U Activities of extraterritorial organizations and bodies)</td>
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**I. Miles in accordance with the Statistical Classification of Economic Activities in the European Community (NACE)**

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<tbody>
<tr>
<td>G</td>
<td>wholesale and retail trade; repair of motor vehicles, motor-cycles and personal and household goods – ‘trade services’, H (hotels and restaurants – HORECA, meaning hotels, restaurants, catering), I (transport, storage and communication), J (financial intermediation), K (real estate, renting and business activities), L (public administration and defence; compulsory social security), M (education); N (health and social work), and O (other community, social and personal service activities)</td>
</tr>
</tbody>
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**J. Howells & B. Tether**

<table>
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<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>G</td>
<td>Services engaged in the physical transformation, particularly of goods - i.e., services that act oil goods. A good example is road transport, handling and storage (including logistics). Services engaged in the transformation of information – i.e., services that are engaged in information processing. Data processing services are a good example here. Services engaged in the provision of knowledge based services – i.e., services for which knowledge based ‘services’ are their principal product. Examples include design and related services. Services which are aimed at the transformation of people – i.e., services which act on people, providing physical and/or mental/emotional changes. A good example is care for the elderly.</td>
</tr>
</tbody>
</table>

Source: [1, 2, 3, 4]

The variation of services specific characteristics (intangibility, coproduction, and dependence on Information Communication Technologies (ICT) is put into the basis of classifications outlined above. Services heterogeneity determines appropriate nature of service innovations. Therefore exists the problem of working out of general innovation theory for manufacturing and service activities. In general, four approaches to industrial and service innovations can be identified (M. Kanerva, I. Miles, J. Howells, and B. Tether): neglect, assimilation, demarcation, and synthesis.

Historically, the first – neglect approach, has been supposed to lead to technological and productivity changes, which take place only in manufacturing firms. Service activities have been considered as residual areas, and service innovations have been ignored. This approach has been predominant in economic literature until the 1990s.

In accordance with the assimilation approach innovations in manufacturing and services have been considered as similar ones. The same indicators can be used for measurement of innovative activity in services and industry as well. In some papers this approach is named ‘technocratic’ [5], because it is assumed that new technologies (especially ITC) are crucial for service innovations. Within the scope of this approach L. Soete and M. Miozzo, using Pavitt's taxonomy of industrial innovation firms, have identified different technological
trajectories in services and divided service firms into four categories: ‘supplier-dominated’, ‘scale-intensive’, ‘specialized suppliers’ and ‘science-based’ [6]. This classification system is based on differences in the technological regime. F. Castellacci, from ICT and Fordist perspectives, has adopted the concept of technological paradigm-regime-trajectory to examine patterns of innovation in service firms. He has divided these firms into four categories: advanced knowledge providers, mass production goods, supporting infrastructure services, and personal goods and services [7]. Another sectoral taxonomy has been proposed by R. Evangelista. In this taxonomy, service sectors are divided in accordance with the overall innovative performance of firms, the nature of the innovation activities, the different knowledge bases (tangible/intangible; codified/tacit) underlying the innovation processes, and the different patterns of interaction through which service firms innovate. Three main sectoral categories are identified: technology users heavily relying on the use of tangible technological assets (for instance, transport, wholesale and waste disposal); science and technology-based and technical consultancy sectors, specialized in the provision of codified knowledge (such as research and development, engineering and technical services); interactive and IT based sectors (such as financial services, advertising and business services) whose distinctive feature consists of innovating through software and close interactions with customers and clients. Thus, the assimilation approach has suggested patterns of innovation in manufacturing and services to be identified by the technological regime [8].

The demarcation approach has been accented on non-technological activities in services. Organizational and marketing innovations have been in focus of attention. The key statement of the ‘demarcation’ researchers – services studies need new theories and special analytical instruments. For example, research and development indicators cannot be an adequate measure of high-tech level and knowledge-intensity for service firms. Major studies of service innovations are concentrated on interactive mode of service production and organizational innovation. Service firms tend to introduce organizational innovation rather than manufacturing. J. Sundbo has considered three types of organizational innovation: top-strategic, network, and professional organizations [9]. F. Djellal and F. Gallouj have investigated six patterns of organizational innovation: professionals in partnership, managerial, traditional industrial, neo-industrial, entrepreneurial, and craft model [10]. Knowledge-intensive business services (KIBS) are striking example of the importance of ‘producer – client’ interaction for service production, as long as customer’s personal qualities make decisive influence on the production results. The process of total customization favours the greater involvement of customers into the innovation process. The involvement of providers, customers, suppliers, and partners in co-creation of value added advantage forming of new collaborative business model.

The synthesis approach has been built on integration of assimilation and demarcation approaches. Technological and non-technological activities for service and manufacturing firms have been considered. The pioneer attempt to use synthesis approach has been carried out by F. Gallouj and O. Weinstein who have proposed to adopt K. Lancaster’s model of multidimensional space of product characteristics for service and industrial innovations [11]. V. Souitaris, from synthesis perspective, has verified Pavitt’s taxonomy empirically [12]. H. Hollenstein has sorted out five categories of service firms: science-based high-tech firms with full network integration, information technology-oriented network-integrated developers, market-oriented incremental innovators with weak external links,
cost-oriented process innovators with strong external links, low-profile innovators with few external links [13].

We support the synthesis approach despite the arguments in favour of the demarcation approach to the study of service innovation, which would shift the focus on the study of services in general, to a differentiated consideration of the various types of services. This background gives opportunity to masterpiece analysis including appropriate indicators that provide deeper understanding of innovation processes on a whole economy scale. The synthesis approach can help in analysis of internal and external differences of innovations concerning goods and services production, even more in study of service production by industrial companies and goods production by service companies. In fact service and industrial innovations have significant differences as well as similarities. The demarcation approach emphasizes important features of services and service innovations, which are specific for industrial innovations, although the majority of industrial innovations researchers ignore them. Manufacturing and services interlace frequently [14] and many industrial companies acquire the features of services, and the production of a number of services are more like industrial ones (at least Postfordist). An important argument in favour of the synthesis approach to the study of services and manufacturing is phenomenon of “servicisation” or “servitisation” of production in all sectors of economy. As a rule it is connected with the desire of industrial companies to produce services, which are complementary towards their core activities. In the latter case, the services acquire the character of “tying products”, including those associated with the provision of the actual tangible products, such as after-sales service. Sometimes “servitisation” manifests promoting the product through various services – finance, insurance, technical support, software, etc. This phenomenon is often expressed in focusing of manufacturing companies on providing parallel services for the main purchased product. Such strategies, along with service innovations, significantly influence direction of innovation trajectory affected with service-dominant logic. Within the frame of this approach, services are considered less as “nonmaterial values”, but as a process or relationships. Consequently service is a result of every economic activity both of service and manufacturing firms.

3. CONCLUSIONS

Review of the last decades scientists and policy makers approaches shows changes both in attitude towards services themselves and in service innovation processes. The evolution standpoints conventionally can be divided into four stages: neglect, assimilation, demarcation and synthesis. The first stage has assumed a complete denial of service innovation activities which are regarded as a residual area. The assimilation approach has identified the nature of industrial and service innovations. The demarcation approach is built on apart theory for service innovations. The synthesis approach has taken into account similarities and differences between industrial and service innovations in forming general theory of innovation. It should be underlined that the majority of contemporary researches are based on the synthesis approach as dominant one.
BIBLIOGRAPHY:

(Endnotes)
EXECUTION OF EAW AND HUMAN RIGHTS

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Faculty of political sciences, University of Belgrade, Belgrade, Serbia

Abstract: In this paper, the author deals with the problems surrounding execution of EAW in the field of human rights. The author, in the first part, states what kind of legal protection is offered by existing conventions and decisions, later in the paper she deals with actual protection in practice, and finally she reviews the practices. The aim is to see if EAW system provides more benefits than harm and what kind of reform is possible.

Key words: EAW, human rights, Fair trials international, extradition

1. INTRODUCTION

Extradition is one of the issues that Europe was committed from the outset, so the first convention about this issue was made in 1957. by the Council of Europe. Significant changes have occurred with the creation of the European Union and they lead to the gradual transfer of some questions from national to the supranational level. Finally with the ratification of the Framework Decision of the European Commission in 2002nd on the European arrest warrant and the surrender procedures between Member States this issue was regulated uniformly in all Member States.¹

The European arrest warrant is a judicial decision issued by a Member State with a view to the arrest and surrender by another Member State of a requested person, for the purposes of conducting a criminal prosecution or executing a custodial sentence or detention order.²

EAW improves and simplifies judicial procedures designed to surrender people for the purpose of conducting a criminal prosecution or executing a custodial sentence or spell in detention. Member State of execution (hereinafter “executing judicial authority”) shall refuse to execute the European arrest warrant in the following cases:

- Mandatory execution
  1. if the offence on which the arrest warrant is based is covered by amnesty in the executing Member State, where that State had jurisdiction to prosecute the offence under its own criminal law;
  2. if the executing judicial authority is informed that the requested person has been finally judged by a Member State in respect of the same acts provided that, where there has been sentence, the sentence has been served or is currently being served or may no longer be executed under the law of the sentencing Member State;

¹ Justice and Home Affairs of the European Union. 139-163
² IBID
3. if the person who is the subject of the European arrest warrant may not, owing to his age, be held criminally responsible for the acts on which the arrest warrant is based under the law of the executing State.
-Grounds for optional non-execution of the European arrest warrant

2. FRAMEWORK DECISION

The EU document governing the operation of the EAW is the Council Framework Decision of 13 June 2002. This was the first instrument to be adopted on the basis of the principle of mutual recognition of judicial decisions.
It came into force on 1 January 2004 and is founded on the principle of direct contacts between the judicial authorities.
In Chapter 1, under the General Principles, Article 1 it is said:

3. This Framework Decision shall not have the effect of modifying the obligation to respect fundamental rights and fundamental legal principles as enshrined in Article 6 of the Treaty on European Union.

3. LEGAL PROTECTION OF HUMAN RIGHTS

Additional legal protection is provided by two important documents. The first is the Treaty on European Union, or Maastricht Treaty, which entered into force in 1993. In addition to the Treaty on European Union, one other document is important for human rights. In terms of the European Convention on Human Rights (ECHR), which forms part of the acquis of the European Union and which signatories are all EU member states. ECHR is clear about the obligations of states to protect human rights from serious violations of their human rights in another country.

Article 6 (ex Article 6 TEU) states:

Fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and as they result from the constitutional traditions common to the Member States, shall constitute general principles of the Union’s law.

4. THE ACTUAL PROTECTION OF THE RIGHTS

A person who is the subject of a European arrest warrant is protected both during the execution of the EAW in the state where he was arrested, as well as the requesting state, ie the state who ordered his arrest and extradition. On one side about his extradition court

3 IBID
4 2002/584/JHA: Council Framework Decision of 13 June 2002 on the European arrest warrant and the surrender procedures between Member States - Statements made by certain Member States on the adoption of the Framework Decision
6 Official Journal C 191, 29 July 1992
decides in two instances, one of which is usually the highest court in the State. His situation is also affected by guarantees which exist under the law of the state which will extradite him. Also, both countries are linked with bilateral agreement and other international instruments that have been ratified and are about fundamental human rights and freedoms. The Commission found that some countries (Denmark, Lithuania, Poland, Portugal) do not have defined certain rules of procedure which may lead to violation of the rights of the accused.

On the other hand, the United Kingdom in its extradition legislation, which implemented the Framework Decision included a special provision that states that extradition shall not be executed if with that act they will breach individual rights guaranteed by the European Convention on Human Rights. We have the same solution in Ireland, while Spain and the Netherlands only refers to the fact that the European Convention on Human Rights is the part of their internal legal system.

Although the wording of the Framework Decision could have been clearer, Art. 1(3) of the Framework Decision and paragraph 12 of its Preamble (read in connection with the Articles 1 and 13 of the European Convention on Human Rights) compel to interpret the Framework Decision in such a way, that, if the requested person would by surrender be exposed to a real danger that his human rights might be violated, surrender should be refused. However, Framework Decisions have no direct effect; therefore, citizens can not directly invoke provisions of Framework Decisions in court.

Consequently, the answer to the question of how a Judicial Authority must deal with a claim that surrender would result or would probably result in the violation of a human right is not determined by the provisions of the Framework Decision, but by the human rights exception contained in the national Implementation Act.

The problem with the implementation of the Framework Decision in Germany had, was because of human rights issue. The German Constitutional Court in 2005 put the law ineffective because it was inconsistent with the Constitution. The judgment notes that the law does not guarantee the procedural rights of the accused and his basic human rights. Fair Trials International (FTI), the London-based human rights non-governmental organisation, claims to have highlighted a number of cases which demonstrate that the European Arrest Warrant system is causing serious injustice and jeopardising the right to a fair trial. In particular, FTI allege that:

- European Arrest Warrants have been issued many years after the alleged offence was committed.
- Once warrants have been issued there is no effective way of removing them, even after extradition has been refused.
- They have been used to send people to another EU member state to serve a prison sentence resulting from an unfair trial.
- Warrants have been used to force a person to face trial when the charges are based on evidence obtained by police brutality.

Sometimes people surrendered under an Arrest Warrant have to spend months or even years in detention before they can appear in court to establish their innocence. Sadly, our own casework repeatedly demonstrates the human cost of existing cooperation measures.

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9 Justice and Home Affairs of the European Union 139-163  
10 Justice and Home Affairs of the European Union. 139-163  
11 http://en.wikipedia.org/wiki/European_Arrest_Warrant
Under the European Arrest Warrant, for example, people from all across Europe are being sent to other EU member states for the most minor offences, or to serve prison sentences imposed after unfair trials. As about half of our cases concern Europe, we also have compelling evidence of the need to improve fair trial rights across the Union. It is hugely disappointing that, to date, the UK and a minority of other states have vetoed efforts to improve standards of justice, choosing instead to trust other European legal systems to deliver justice – a trust that is sometimes misguided.12

The Council of Europe’s Commissioner for Human Rights has issued a statement drawing attention to the fundamental rights implications of Europe’s fast-track extradition system – the European Arrest Warrant. The statement refers to Fair Trials International’s cases and campaign for reform.

The Commissioner for Human Rights said:

“The EAW has been used in cases for which it was not intended, sometimes with harsh consequences on the lives of the persons concerned. It is thus high time to reform a system that affects thousands of persons every year.”13

Catherine Heard, Head of Policy at Fair Trials International, said:

“At Fair Trials International we have seen the lives and futures of many ordinary people – teachers, firemen, chefs and students – blighted by the European Arrest Warrant, a system that infringes basic rights and fails to deliver a fair and efficient extradition system. We are delighted that the Commissioner has spoken out about the urgent need for stronger safeguards.”

Since its introduction almost 8 years ago, the European Arrest Warrant has led to serious cases of injustice including extradition following grossly unfair trials, the disproportionate infringement of basic rights, the request for extradition of mistaken individuals and the refusal to remove unjust Warrants. Fair Trials International has been leading the call for reform of this system which, in 2009, saw over 4,000 people surrendered to different EU countries.14

The Council of Europe refer to two clients of Fair Trials International: Andrew Symeou was extradited on the basis of evidence obtained by police brutality. He spent a year in horrendous prison conditions after being denied bail solely because he was a non-national. Garry Mann, a former fireman, was extradited to serve a 2 year prison sentence imposed following a trial in Portugal in 2004, described by a UK court as “so unfair as to be incompatible with [his] right to a fair trial”.15

Fair Trials International has long campaigned for legislation at EU level on basic defence rights, because it is the only way to require Member States to deliver on their fair trial obligations, both to nationals and non-nationals. We use the real-life experiences of the people we assist to show the need for these measures..16

13 http://commissioner.cws.coe.int/tiki-view_blog_post.php?postId=124
5. CASES OF INJUSTICE

Wanted for a crime he could not have committed – Edmond Arapi
Edmond's case highlights:
The danger of placing complete confidence in the fair trial safeguards of requesting countries, merely on the basis that they are legally bound to comply with Article 6 ECHR.
The need for legal representation in the issuing State.

Edmond Arapi was tried and convicted in his absence of killing Marcello Miguel Espana Castillo in Genoa, Italy in October 2004. He was given a sentence of 19 years, later reduced to 16 years on appeal. Edmond had no idea that he was wanted for a crime or that the trial or appeal even took place. In fact, Edmond had not left the UK at all between the years of 2000 to 2006. On 26 October 2004, the day that Castillo was murdered in Genoa, Edmond was at work at Café Davide in Trentham, Staffordshire, UK and attending classes to gain a chef’s qualification. Edmond was arrested in June 2009 at Gatwick Airport on an EAW from Italy, while he was on his way back from a family holiday in Albania. It was the first he knew of the charges against him in Italy.

There was a raft of contradictory expert evidence about whether Edmond would be entitled to a full retrial after extradition to Italy, and whether his alibi evidence (and the witnesses he would need to testify about his activities and whereabouts on the day of the murder) would be admitted at any trial. Appeals had been exhausted in Italy (again, without Edmond's knowledge – they were attended on his behalf by a public defence lawyer and the conviction had been upheld). It seemed far from clear that Italian law guaranteed a re-trial for defendants tried in absentia, where the conviction had been appealed. It was clear that Edmond risked being held for years on remand awaiting trial, as Italy has one of the worst records in Europe for delays in the justice system. Nevertheless, having heard conflicting evidence on Italian procedural law, the English court ordered his extradition on 9 April 2010.

FTI worked extensively on Edmond's case; attempting to persuade the Italian authorities to withdraw the EAW, working with Albanian lawyers to help establish the identity of the real perpetrator, and raising the profile of his case with the public and politicians. On 15 June 2010, the day the appeal against his extradition order was to be heard at the High Court, the Italian authorities decided to withdraw the EAW, admitting that they had sought Edmond in error. They provided information indicating that Edmond's fingerprints did not match those at the crime scene. If Edmond had been provided with legal representation in Italy from the outset, then the fact that he was the victim of mistaken identity could have been discovered much sooner. Edmond narrowly avoided being separated from his wife and children, including a newborn son, and spending months or years in an Italian prison awaiting a retrial.17

6. CONCLUSION

Reading about these cases and others like them, it's hard to believe that things like that could happen in EU and basically in democratic and regulated states. The author does not

think only about the inhumane conditions in prisons but also the disregard of basic court procedures. In these cases, there are some serious violations of procedures. The practice is here to show us otherwise. As the main problem is the vaguely defined Framework Decision. This solution leads to a broad interpretation of the EAW and especially those articles related to the protection of human rights. The very human rights are broadly defined and interpreted differently in the dependency of the practice of states, economic and social situation in the country and so on. Some countries that are otherwise committed to respect for human rights, for a long time refused to regulate these rights better. As the issue of extradition is directly linked to the issue of sovereignty of the states, they want to leave a wider field of action in these matters, and this leads to a different interpretation, that interpretation on a case by case basis. Especially complicated are the cases in which includes domestic citizens and when a person is charged with terrorism. In such cases, the violations of human rights are most common. After 9/11, the United States and leading European countries, but also many countries in transition were forced to step up the legislative aspect of the fight against terrorism and international level. EAW is a tool to manipulate and a lot of it is used in are of a political purpose.

We can identify two levels of human rights violations
- Light violations, when it comes to violations of human rights such as the right to respect for family and private life
- Severe, where evidence was gathered by torture, or contempt of court procedures.

Less common are sever cases of human rights violations but much more present in the media and the public.

The author believes that EAW provides much more benefit than harm, and that there is room for improvement. The solution is considered to more accurately define the rules and procedures of implementing EAW also would be desirable to define more precisely the limits of implementation. Improving conditions and equalization standard in all Member States is another measure which would affect the improvement of EAW. However, these requirements are related with some other issues and that are complicated and will take a lot of time and money.

BIBLIOGRAPHY:


EXECUTION OF EAW AND HUMAN RIGHTS

TITLE OF THE PAPER  
(Times New Roman - TNR 14 pt Bold)

First A. Author\textsuperscript{1}, Second B. Author\textsuperscript{2}, Third C. Author\textsuperscript{3}, … (TNR 11 pt Bold)

\textsuperscript{1} Association name, City, COUNTRY, e-mail (TNR 10 pt)
\textsuperscript{2} Association name, City, COUNTRY, e-mail: (TNR 10 pt)

Summary: The length of abstract maximally 10 lines, type of font TNR 9 points normal, justify.

Keywords: keyword 1, keyword 2, keyword 3, keyword 4, keyword 5 (max. 5 TNR 9 pt)

1. INTRODUCTION (Title of chapter TNR 11 pt Bold)

These are the guidelines for writing the paper for the International Journal of Economics and Law (IJEL). Papers should be written in format that is described bellow. Please follow these instructions.

2. TECHNICAL REQUIREMENTS (Main text TNR 10, Footnotes TNR 9)

It is possible to write the paper in English, Russian or German languages only (Times New Roman – TNR 10 pt normal). Footnotes should be written in TNR 9pt. Allowed text editors: MS Word 2000 or higher. For the paper to be published it is necessary to send: in paper form printed on the laser printer and on CD-ROM by regular mail or in electronic form by e-mail: info@economicsandlaw.com

2.1. Format

Preferably use A4 (297x210 mm\textsuperscript{2}) page (by ISO 216 and ISO 478) format with margins (mm): 25 top, bottom, left and right.

2.2. Tables

Each table is numbered and table captions are in TNR 10 pt, placed above the table, centered and have the following style.
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#### 2.3. Figures

Figures should be numbered. Please do not insert figures into text boxes. Figure caption is in TNR 10 pt, placed below the figure, centered and has the following style:

![Figure 1: Figure caption](image)

#### 2.4. Equations

Equations are left justified 5 mm from left with equation number at the right margin in font TNR 10 pt Italic.

\[
    R_a = 0.65 \cdot R_{\text{max}}^{0.9} \tag{1}
\]

#### 3. CONCLUSION

Write a short review about work and research done in paper and indicate paper highlights.

#### 4. BIBLIOGRAPHY:

Bibliography should be indicated in the text using consecutive numbers in square brackets, e. g.
following alphabetic order of authors last names. In the bibliography (by ISO 690-1 and ISO 690-2) they should be cited including the title of the paper. Follow given examples below:


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