

**FACULTY FOR EDUCATION OF THE EXECUTIVES
UNIVERSITY OF BUSINESS ACADEMY
NOVI SAD, SERBIA**

**LAW, ECONOMY AND MANAGEMENT IN
MODERN AMBIENCE**

LEMiMA 2009

PROCEEDINGS

Vol. 2

Editor:

Života Radosavljević

**Sokobanja, Serbia
25 - 27. September 2009.**

Publishers: Faculty for Education of the Executives (Fakultet za obrazovanje diplomiranih pravnika i diplomiranih ekonomista za rukovodeće kadrove - FORKUP)
University of Business Academy, Novi Sad

For publisher: Prof. dr Života Radosavljević, Dean, Faculty for Education of the Executives,
University of Business Academy, Novi Sad (Serbia)

Reviewers: Prof. dr Vasily Ignatevich Gerasimchuk, Faculty of Economics, NTUU
«KPI», Kiev (Ukraine)
Emeritus Prof. dr Svetolik Kostadinović
Prof. dr Vidoje Vujic, Faculty of Tourism and Hotel Management, Opatija
(Croatia)
Prof. dr Vojislav Vučenović, Economic Faculty, University of Belgrade,
Belgrade (Serbia)

Admitted from:
Education Council of Faculty for Education of the Executives, Novi Sad
(No. 133-1/2009 from 28.05.2009)

Technical treatment and design: Predrag Dašić
Jovan Dašić

Circulation: 100

Printed by: Centar za edukaciju rukovodećih kadrova i konsalting (CERK)
Beograd

ORGANIZER

Faculty for Education of the Executives

(Fakultet za obrazovanje diplomiranih pravnika i diplomiranih ekonomista za rukovodeće kadrove - FORKUP)

University of Business Academy

Novi Sad, Serbia

ORGANIZING COMMITTEE

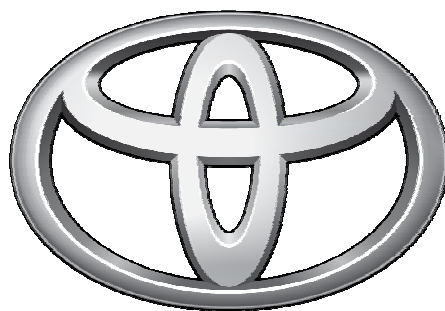
1. Prof. dr Miodrag Starčević, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia), Chairman
2. Doc. dr Draško Bosanac, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
3. Doc. dr Vukašin Lale, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
4. Doc. dr Zoran Jerotijević, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
5. Doc. dr Dragan Golijan, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
6. Doc. dr Milan Radosavljević, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
7. Dragana Banković, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)

SCIENTIFIC COMMITTEE

1. Prof. dr Svetolik Kostadinovic, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia), Chairman
2. Prof. dr Života Radosavljević, Dean, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
3. Marcela-Cornelia Danu, vice-dean Faculty of Economics, Bacau University, Bacau (Romania)
4. Prof. dr Nada Barac, Faculty of Economics, University of Niš, Niš (Serbia)
5. Prof. dr Marijana Carić, Rector, University of Business Academy, Novi Sad (Serbia)
6. Prof. dr Teodor Kollárik, Faculty of Social and Economic Sciences, Bratislava, (Slovakia)
7. Prof. dr Volodymir Fedorinov, rector, Donbass State Machinery Academy, Kramatorsk (Ukraine)
8. Prof. dr František BRIŠKA, Faculty of Social and Economic Sciences, Bratislava, (Slovakia)
9. Prof. dr Dobrecova Violy Vaceslavovna, Rector, Kramatorsk Institute of Economics and Humanities, Kramatorsk, (Ukraine)
10. Professor Dune Tsanka Tsankova, Faculty of Law, Sofia, (Bulgaria)
11. Prof. dr Valentin Nedeff, Rector, University of Bacău, Bacău (Romania)
12. Sergyi Genadiyovych Pryimenko, Dean, Economics and Arts Faculty, Donbass State Machinery Academy, Kramatorsk (Ukraine)
13. Prof. dr Radovan Tomić, academician, High Business School, Novi Sad (Serbia)
14. Prof. Ovidiu-Leonard Turcu, Dean, Faculty of Economics, Bacau University, Bacau (Romania)
15. Prof. dr Stanka Stjepanović, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
16. Prof. dr Milutin Srdić, Faculty of Economics, University of Niš, Niš (Serbia)
17. Prof. dr Janko Cvijanović, Economic Institute, Belgrade (Serbia)
18. Prof. dr Duško Medić, dean, Faculty of Law, Independent University “Apeiron”, Banja Luka, (BiH/RS)
19. Prof. dr Sead Dizdarević, Faculty of Law, University of Sarajevo, Sarajevo (BiH)
20. Prof. dr Vidoje Vujić, Faculty for Education of the Executives, University of Business Academy, Novi Sad, (Serbia)
21. Prof. dr Ace Milenkovski, Dean, Faculty of Tourism, Skopje, University of Skopje, Skopje (Macedonia)
22. Prof. dr. Milorad Rašković, dean, Maritime Faculty, University of Montenegro, Kotor (Montenegro)
23. Prof. dr Milan Vukčević, Faculty of Mechanical Engineering, University of Podgorica, Podgorica (Montenegro)
24. Dr Alija Ismet, Faculty for Education of the Executives, University of Business Academy, Novi Sad (Serbia)
25. Doc. dr Sanja Barić, Faculty of Law, University of Rijeka, Rijeka (HR-Croatia)
26. Prof. dr Yuri Anatolievich Doroshenko, Faculty of Economics and Management, Belgorod Shukhov State Technological University, Belgorod, (Russia)
27. Prof. dr Stechenko D.M., Faculty of Management and Marketing, National Technical University of Ukraine, Kyev, (Ukraine)
28. Prof. dr Zijad Hasić, Faculty of Law, Kiseljak, University of Travnik, Kiseljak, (BiH)
29. Prof. dr Dragomir Đorđević, Faculty of Management, University of Business Academy, Novi Sad, (Serbia)
30. Doc. dr Ivana Jelić, Faculty of Law, University of Podgorica, Podgorica (Montenegro)
31. Prof. dr Aleksandar Ignjatović, Faculty of Law, University of Business Academy, Novi Sad (Serbia)

SPONSORSHIP ORGANIZATION

**MINISTRY FOR SCIENCE AND TECHNOLOGICAL DEVELOPMENT OF REPUBLIC
SERBIA**



TOYOTA

P R E F A C E

During several previous decades historical changes have occurred towards increase of national and corporate efficacy. During the previous 25 years, the global economy duplicated itself in every 10 years. In 1999 it had 31 trillion dollars of the total DGP, whereas in 2008 the figure amounted to 62 trillion dollars. Man has never lived better in his history than he is living today. Working hours are significantly decreased and now amount about 40 hours of work per week, with the tendency of further decrease. Man has never had more free time than he has today. Man has managed for the first time to achieve the life span of about 80 years in highly developed countries. Spatial dimension and location have now become less significant factors related to the traditional conception.

The mentioned achievements are accompanied by the globalization as the new quality in the international relations. It has created chances for simplifying business transactions and enhanced all elements of life and work that has lead to the syntagm of "Thinking globally and acting locally". Indeed, today there are no problems on the global level that could be neglected on the local level, i.e. any local problem could become global, which will probably lead to formation of global government in future that will be an operational body for managing the global problems. However, the globalization also creates problems. Namely, there has come to globalization, i.e. to integrated decentralization of economies of various states that are mutually connected and in such business networks, it is impossible to be independent any longer which also can be seen on a simple product for production of which several companies from different countries from different continents are included in. On the other hand, politicians have mainly remained nationally oriented, most frequently endeavoring in having as large feud as possible whereat they would spread their domination. This contrast is in the core of many controversies negatively influencing on the global but the national efficacy as well. It is similar with preservation of the national, religious and custom varieties, which will represent a new challenge in global processes development, so that universality would be provided on one side and variety preserved on the other. Without a better coordination between politics and economy on the global level, the world will difficultly fight to provide fast capital flow outside the national boundaries and with the insistence of politicians, especially of the developing countries and transition countries to politicize many phenomena. These activities decrease business efficacy and finally question the survival of business organizations.

To the mentioned another alpha plus should be added, and that is information technology, contributing the process of globalization and practical connection of countries, different cultures, religions, customs and mentality. Although IT does not belong to the revolutionary technologies, it has without doubt performed a revolutionary influence on the national and corporate organizations, but also on life and work of any individual. It has increased the communication speed, simplified and cheapen many business processes, and fundamentally changed the traditional business infrastructure. Undoubtedly the trend of informatization will continue and many of the business performances will gain in their speed, quality and price.

Parallel to the mentioned process, the world is occasionally struck by crisis, i.e. recessions of various intensity. The present moment, i.e. the end of 2008 and 2009, is characterized by the crisis conditions of business operations and thus it can be stated that we are living and working in period of crisis. Crises are probably the first global problems affecting everyone and especially the undeveloped and transition countries. It leaves deep consequences on every field of economy and society. However, it is also a great enemy to democracy because it creates conditions that the autocratic way of management is introduced in crisis, which in time grows into dictatorship and dictatorial systems. The reason is that the causes of crisis are rarely searched for in democracy, behind which "a tough hand" should be introduced in which the will of everyone will be subordinated to the will of one. The unsustainability of the mentioned is not difficult to question because the crisis arises also out of the lack of democracy, i.e. ideas and innovations and anything else is the consequence. One should have in mind that the last crisis is much more dangerous than previous crises, because they were partial and related to particular countries with various intensities. Today's crisis brings into question the survival of millions of people on the global level, meaning that it takes on the characteristics of personal temptations and brings to numerous stressful situations: due to losing a job, decrease of personal incomes, inability of employment and losing perspective, i.e. hope and belief in better future.

The global economic crisis has not originated by itself, but it is the result of specific actions, i.e. absence of actions. It originated in America as the most powerful country in the world, in the country having the most competent management in the world and in which the management as a profession occurred first and developed the fastest. Most people in the governments knew about the disproportion between increasing needs that have come to greediness on one side and limited possibilities to satisfy the needs. The top management of large corporate organizations was pressured by the stakeholders' demand to provide profit on short term, not choosing the ways to accomplish it. Most of the corporate organizations wished something to change, but that nothing

would change in essence, so that it can be stated that the management profession is partly responsible for disturbances on the global level. Thus, for the latest global economic crisis, the management bears responsibility, first of all of financial and banking industries.

The third pillar the stability on the national and global level is based on is law and legal institutions. Any business, i.e. life and work happens in a legal ambient that can be favourable or destimulating for business and operations. In past, law, medicine, accounting have been considered for important subjects in private sector, but with public liabilities. The lawyers are still called "court officials", accountants "company's conscience", management as the brain of the company. All stated sciences have operated for the system in which they were employed, but they have also thought on the public interests. However, the institute of law in America, but in other developed countries as well has shown its weaknesses. Many rules having been applied since 1930 still appear efficient, but the problem is that within the last 15 years they have been dismembered and as such they are not consciously adjusting to new conditions of operations. The only highly developed country is Canada, which was holding best in the crisis, because it kept the legal regulations with the higher level of regulation and control of indebtedness. It has had several simple regulatory measures and the whole system has relatively well overcome the storm.

In order that the law and legal institution would be in the function of business and efficacy, it is necessary to perform a fundamental revision of the existing solutions. There are legal "gaps" in the laws enabling the companies to acquire enormous financial wealth. Numerous laws from period of Clinton should be re-examined and instead of now governing deregulation, control mechanisms should be introduced, or the existing should be applied. The President Obama, two years before he entered into the White House, has pointed out the need of large reforms of legal system and regulations, which besides the reform of the health system is his priority.

Any economic crisis generated or it is the cause of other crisis. At the same time it is the crisis of moral, which is perhaps the core of our problems. This is important to mention, because the focus is given on the economic crisis in modern conditions. The fact is that the economic crisis is not the cause but the consequence of other crises, primarily of the crisis of idea and innovation that is firstly manifested in the sphere of economy. Most of the things that have happened during the last decades throughout the world have been legally allowed. Bankers did what law allowed them, or what law did not forbid. Politicians did what they considered to be accorded with their political determination. However, precise analyses show that great number of people behaved immorally and irresponsibly. Not one system can be sustainable and not cause crisis, if ethics and system of values are not respected which are based on the moral dimension.

Indeed, the world will not come out of the crisis by applying classical concepts and techniques that have lead to the crisis. It seems to be necessary to revise law and legal institutions on the national and global level, re-examine the principles of functioning of the economy and corporate management of large corporate systems of the world. It is shown that the modern regulatory system is inefficient, that the economic dimension and interest is over-dimensioned and that the corporate management is not capable, besides the corporate interest to express and articulate the social interests and social responsibility for the environment destiny. Merciless competition and struggle to satisfy the increasing needs and of higher quality independently from the possibility has lead to neglect of fair-play relations.

According to the stated, the purpose of 1st International conference LEMiMA 2009 is to consider the modern business problems on the principle of holistic-systematic concept and along with the integration of law and legal institutions, economies and management as the three dominant sciences, participate in their solving. It is proven that the modern, i.e. business in times of crisis is mainly deliberated partially from the point of view of law, or economy or management, which does not provide quality solutions for increase on the national or corporate efficacy. Thus, the sole concept of The Conference is set so that the modern (crisis) business is not considered partially and separately but that the legal, economic and management profession "hear out" each other, so that through the synergistic activity and influences quality answers would be given for new challenges and the crisis condition. In that context this Collection has been prepared, which also will not be divided according to the topical integrities and for the purpose of promoting the holistic-systematic approaches in researches and solving of the complex phenomena.

Welcome to 1st International Conference LEMiMA 2009, in Sokobanja (Serbia).

Sokobanja, 25-27.09.2009.

CHAIRMAN OF SCIENTIFIC COMMITTEE


Prof. Dr Života Radosavljević

CONTENTS

Volume 1

PLENARY SESSION (INVITATION PAPERS)

PS-1. Radosavljević Ž. (Novi Sad – Serbia)	1
CORPORATE MANAGEMENT IN TIMES OF CRISIS	
PS-2. Shevtsova S. & Kyprijanov S. (Belgorod – Russia)	12
THEORETICAL ASPECTS OF SPECIAL ECONOMIC ZONES FORMATION AND MODERN EXPERIENCE OF RUSSIAN FEDERATION	
PS-3. Starčević M. (Belgrade – Serbia)	16
RELATIVITY OF A STATE'S SOVEREIGNTY: CHALLENGES, ADVANTAGES, DISADVANTAGES	
PS-4. Radosavljević Ž. (Novi Sad – Serbia) & Doroschenko Y.A. (Belgorod – Russia)	22
SOME CHARACTERISTICS OF WORLD ECONOMIC CRISIS IN 2009.	
PS-5. Stubelj I., Jerman M., Dolenc P. & Novak M. (Koper – Slovenia)	27
DO SLOVENIAN PUBLICLY TRADED COMPANIES ADD VALUE FOR THEIR OWNERS? FINANCIAL ANALYSIS OF RESIDUAL INCOME	
PS-6. Vujić V. (Opatija – Croatia)	36
THE INFLUENCE OF GLOBAL CRISIS AND NEW CHALLENGES ON HUMAN DEVELOPMENT	
PS-7. Molnar D. (Belgrade – Serbia)	44
THE FUTURE OF LOCAL ECONOMIC DEVELOPMENT IN THE SHADOW OF GEOGRAPHIC INFORMATION SYSTEMS	
PS-8. Radosavljević M. (Novi Sad – Serbia)	51
MANAGEMENT AND LEADERSHIP GOVERNMENT IN TIMES OF CRISIS	
PS-9. Dizdarević S. (Sarajevo – Bosnia and Herzegovina)	57
LEGAL ASPECTS OF STOCK ORGANIZING IN BIH, PARTICULARLY THE MOST COMPLEXED FORMS OF CAPITAL SUCH AS CONCERNS - JOINT STOCK COMPANIES AND OTHER SIMPLE AND COMPLEXED FORMS OF CAPITAL IN BiH	
PS-10. Đurić D. (Belgrade – Serbia)	60
CRISIS CREATES A NEW INTERNATIONAL ARCHITECTURE?	
PS-11. Posavec M. (Ljubljana – Slovenia) & Dolenc P. (Koper – Slovenia)	64
NON-SUSTAINABILITY OF SLOVENIAN PENSION SYSTEM: THE REVIEW OF EMPIRICAL FACTS	
PS-12. Слабинская И.А. & Бендерская О.Б. (Белгород – Россия)	69
ТЕОРЕТИЧЕСКИЕ АСПЕКТЫ КРЕДИТНОГО АНАЛИЗА	
PS-13. Avdagić M. (Sarajevo – Bosnia and Herzegovina) & Stojanović V. (Banja Luka – Bosnia and Herzegovina)	76
OPERATIVE MANAGEMENT IN MODERN ECONOMY	
PS-14. Kostadinović S. (Novi Sad - Serbia) & Krasić D. (Belgrade - Serbia)	83
LEGAL REGULATION IN THE FUNCTION OF STRENGTHENING MARKETS	
PS-15. Решетило В.П. (Харьков – Украина), Чижова Е.Н. & Чижов М.С. (Белгород – Россия)	89
ФИНАНСОВАЯ СИНЕРГЕТИКА ДЛИННОВОЛНОВЫХ КОЛЕБАНИЙ	
PS-16. Nikolić Z. (Kruševac – Serbia) & Jerinić S. (Vitina – Serbia)	96
FUNCTIONAL AND INFORMATION MODELLING OF STUDENTS' SERVICE CENTRE INFORMATION SYSTEM USING IDEF METHODS	

PAPERS

P-1.	Акимова Г.З. & Данникова С.В. (Белгород – Россия) ПРОГНОЗИРОВАНИЕ КАК НЕОБХОДИМЫЙ ЭЛЕМЕНТ ОРГАНИЗАЦИИ ПЛАНОВОЙ ДЕЯТЕЛЬНОСТИ	111
P-2.	Alija I. (Travnik – Bosnia and Herzegovina) SOME ISSUES REGARDING THE RELATIONS OF THE LEGAL-BUSINESS ENTITIES AND THE PROTECTION OF INTELLECTUAL RIGHTS IN BOSNIA AND HERZEGOVINA	114
P-3.	Andevski M. & Ristić D. (Novi Sad – Serbia) NEW CULTURES OF LEARNING IN THE MANAGEMENT TEACHING INSTITUTIONS	120
P-4.	Андрюс С.В. (Kyiv – Украина) КОНКУРЕНТНЫЕ ПРЕИМУЩЕСТВА РЕГИОНОВ И ИХ ВЛИЯНИЕ НА КОНКУРЕНТОСПОСОБНОСТЬ СТРАНЫ	125
P-5.	Andelković M. (Novi Sad – Serbia) INTERNATIONAL BENCHMARKING AS SUCCESS FACTOR OF EU	132
P-6.	Архипова В.В. & Одарченко А.В. (Белгород – Россия) ВЛИЯНИЕ МИРОВОГО ФИНАНСОВО- ЭКОНОМИЧЕСКОГО КРИЗИСА НА ДЕНЕЖНО- КРЕДИТНУЮ ПОЛИТИКУ РОССИИ	139
P-7.	Arnaut E. (Travnik – Bosnia and Herzegovina) GLOBALIZATION AND TOURISM - REVIEW OF THE CURRENT POSITION OF TOURISM IN BOSNIA AND HERZEGOVINA	141
P-8.	Атабиева Е.Л. & Ковалева Т.Н. (Белгород – Россия) РОЛЬ ГОСУДАРСТВА В РЕГУЛИРОВАНИИ ЭКОНОМИКИ	149
P-9.	Avdagić M. (Sarajevo – Bosnia and Herzegovina) & Čolaković N. (Travnik – Bosnia and Herzegovina) GLOBAL FINANCIAL CRISIS AND A POSSIBILITY OF PERMANENT RECOVERY OF ECONOMY OF BOSNIA AND HERZEGOVINA	152
P-10.	Banković D. (Belgrade – Serbia) ENHANCED ROLE OF INTERNATIONAL MONETARY FUND (IMF) UNDER CONDITIONS OF MODERN FINANCIAL CRISIS	157
P-11.	Banković D. (Belgrade – Serbia) MANAGEMENT ROLE IN ECONOMIC CRISIS	164
P-12.	Banković D. & Lilić V. (Belgrade – Serbia) ROLE OF FOREIGN LANGUAGE IN MODERN BUSINESS	170
P-13.	Barac N., Milovanovic G. & Andelkovic A. (Niš – Serbia) DIRECT E-MAIL AS A TOOL OF DIRECT MARKETING	176
P-14.	Beke-Trivunac J. (Belgrade – Serbia) THE IMPACT OF FINANCIAL CRISIS REFLECTED THROUGH THE RIZING PRICE OF EURO ON THE SERBIAN BANKING SECTOR	181
P-15.	Bubnjević D. (Zrenjanin – Serbia) POSITION OF RETAIL TRADE IN THE CANALS OF MARKETING ANALYSIS (CASE: THE CITY OF BELGRADE)	187
P-16.	Ciurariu G. (Iasi – Romania) BANCURPTCY RISK AND ACCOUNTING MEASURES	191
P-17.	Ciurariu G. (Iasi – Romania) COMPETITIVENESS, BUSINESS ENVIRONMENT AND SMALL AND MEDIUM COMPANIES	195
P-18.	Чижова Е.Н. & Сидоренко Е.Е. (Белгород – Россия) ПРОИЗВОДСТВЕННЫЙ АУТСОРСИНГ КАК ИНСТРУМЕНТ АНТИКРИЗИСНОГО УПРАВЛЕНИЯ	198
P-19.	Демура Н.А. (Белгород – Россия) ЛИЗИНГ В РОССИИ: СУЩНОСТЬ, ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ	201
P-20.	Dolenc P., Stubelj I., Jerman M. & Novak M. (Koper – Slovenia) HOW MUCH SPACE DO EU MEMBER STATES HAVE TO TACKLE FINANCIAL/ECONOMIC CRISIS AND REMAIN FISCALLY SUSTAINABLE?	206
P-21.	Доможирова О.В., Гавриловская С.П. (Белгород – Россия) К ВОПРОСУ О ПРИМЕНЕНИИ ДИНАМИЧЕСКОГО ПРОГРАММИРОВАНИЯ ДЛЯ ОПТИМИЗАЦИИ ПРОИЗВОДСТВЕННОЙ ПРОГРАММЫ НА ПРЕДПРИЯТИИ	214

	НЕФТЕПЕРЕРАБОТКИ	
P-22.	Figar N. (Niš – Serbia) MANAGING CUSTOMERS DURING RECESSION	218
P-23.	Герасимчук В.И. (Kyiv – Ukraine) БАЛКАНСКИЙ ВЕКТОР В СТРАТЕГИИ ИННОВАЦИОННОГО РАЗВИТИЯ УКРАИНЫ В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ	224
P-24.	Грдич-Прстойевич В. (Нови Сад – Сербия) ВВЕДЕНИЕ ЭЛЕКТРОННОЙ ПОДПИСИ КАК ФАКТОР ПОВЫШЕНИЯ УСПЕШНОСТИ В СОВРЕМЕННОЙ ДЕЯТЕЛЬНОСТИ В СЕРБИИ	231
P-25.	Hasić Z. (Travnik – Bosnia and Herzegovina) CONTEMPORARY STATE: ADJUSTMENT TO GLOBALIZATION AND OTHER PROCESSES IN TODAY'S WORLD	235
P-26.	Jašarević O. (Travnik – Bosnia and Herzegovina) FUNCTION OF ALIBI IN A CRIMINAL PROCEDURE	242
P-27.	Kočović P. (Novi Sad – Serbia) GOOGLE VS. MICROSOFT AND CLOUD COMPUTING	249
P-28.	Kostadinović I. (Belgrade – Serbia) ECONOMIC GLOBALIZATION AND TRANSNATIONALIZATION OF BUSINESS OPERATIONS	255
P-29.	Кузнецова И.А. & Гокова М.А. (Белгород – Россия) БЮДЖЕТИРОВАНИЕ КАК ПРОГРЕССИВНЫЙ СПОСОБ ПОВЫШЕНИЯ ЭФФЕКТИВНОСТИ ДЕЯТЕЛЬНОСТИ ПРЕДПРИЯТИЯ	263
P-30.	Кузнецова И.А. & Мухин А.Н. (Белгород – Россия) ИСПОЛЬЗОВАНИЕ SWOT-АНАЛИЗА ДЛЯ ФОРМИРОВАНИЯ СТРАТЕГИЙ ОРГАНОВ ЗАКОНОДАТЕЛЬНОЙ ВЛАСТИ СУБЪЕКТОВ РОССИЙСКОЙ ФЕДЕРАЦИИ	267
P-31.	Кузнецова И.А. & Рябов А.А. (Белгород – Россия) МЕСТО ИНФОРМАЦИОННОЙ СИСТЕМЫ В СТРУКТУРЕ УПРАВЛЕНИЯ ПРОМЫШЛЕННЫМ ПРЕДПРИЯТИЕМ	271
P-32.	Лилич В. (Белград – Сербия) ПОНЯТИЕ МУЛЬТИКУЛЬТУРАЛИЗМА В СОВРЕМЕННОМ БИЗНЕСЕ	276
P-33.	Milojević R., Đorđević B. & Anđelković-Pešić M. (Niš – Serbia) CHALLENGES OF THE CHANGE MANAGEMENT PROCESS	283
P-34.	Mitovski A. (Bucharest – Romania), Radivojević A. (Belgrade – Serbia), Năşulea C. (Bucharest – Romania) JOB NEGOTIATION INFLUENCED BY MOTIVATIONAL FACTORS CAUSED BY STRESS UNDER ECONOMIC CRISIS	289
P-35.	Никифорова Е (Белгород – Россия) ИННОВАЦИОННАЯ АКТИВНОСТЬ КАК АНТИКРИЗИСНОЕ СРЕДСТВО В СОВРЕМЕННЫХ УСЛОВИЯХ РАЗВИТИЯ РОССИЙСКОЙ ЭКОНОМИКИ	295
P-36.	Novak M., Dolenc P., Stubelj I., Novak M. & Jerman M. (Koper – Slovenia) IS THERE REAL CONVERGENCE WITHIN EUROPEAN UNION?	297
P-37.	Одарченко А.В. (Белгород – Россия) НЕКОТОРЫЕ НАПРАВЛЕНИЯ АНТИКРИЗИСНОЙ ПРОГРАММЫ В РОССИИ	307
P-38.	Pajić S. (Novi Sad – Serbia) POVERTY REDUCTION STRATEGY IN SERBIA THROUGH EDUCATION	309
P-39.	Petrović B. (Istočno Sarajevo – Pale – Bosnia and Herzegovina) RIGHT TO WATER AND GLOBALIZATION	315
P-40.	Pijalović V. & Puška B. (Sarajevo – Bosnia and Herzegovina) ANALYSIS OF THE CHOSEN SET OF STOCKS ON THE STOCK MARKETS SASE AND NYSE -PRICE TRENDS AND INTERDEPENDENCE-	321
P-41.	Radosavljević D. (Novi Sad – Serbia) MANAGEMENT OF LABOUR UNION CONFLICTS IN CORPORATE SYSTEMS	327
P-42.	Radosavljević D. & Anđelković M. (Novi Sad – Serbia) DIVERSITIES MANAGEMENT IN MODERN BUSINESS	334
P-43.	Radosavljević M. & Zdravković B. (Novi Sad – Serbia) LEGAL DIMENSIONS AND MANAGEMENT OF RISKS IN MEGA EVENTS MANAGEMENT	341
P-44.	Radosavljević Ž. (Novi Sad – Serbia), Vučenović V. (Belgrade – Serbia) ECOLOGICAL CONCEPT IN THE RESEARCH OF CRISIS PHENOMENON	348

P-45. Radun V. & Ćurčić R. (Novi Sad – Serbia)	355
THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON THE CHANGING BUSINESS AND ECONOMIC ENVIRONMENT	
P-46. Reko K. (Novi Sad – Serbia)	361
GLOBAL CRISIS - A CHALLENGE FOR SOCIAL RESPONSIBILITY	
P-47. Rizvić K. (Novi Sad – Serbia)	369
INTERNATIONAL CONVENTIONS AND LABOUR LAWS AS MEANS OF PROTECTION OF EMPLOYEE'S RIGHTS TO SALARY IN BH IN TIME OF ECONOMIC CRISES	
P-48. Рудычев А.А., Борачук В.В. (Белгород – Россия)	372
СИСТЕМА УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ И ЕЕ ОПТИМИЗАЦИЯ	
P-49. Ряпухина В.Н. (Белгород – Россия)	377
ОСНОВЫ ПРАВОВОГО РЕГУЛИРОВАНИЯ ВНЕШНЕЭКОНОМИЧЕСКОЙ ДЕЯТЕЛЬНОСТИ В РОССИИ	
P-50. Сакалош Т. В. (Киев – Украина)	382
ЭФФЕКТИВНОСТЬ РАДИОЭЛЕКТРОННОЙ ПРОМЫШЛЕННОСТИ В УСЛОВИЯХ КРИЗИСНЫХ ЯВЛЕНИЙ: УКРАИНСКИЙ И ЗАРУБЕЖНЫЙ ОПЫТ	
P-51. Савельева В. & Вакуленко В. (Краматорск – Украина)	389
ПРИНЦИПЫ ПОСТРОЕНИЯ ПРОГРАММНОЙ СИСТЕМЫ ДИСТАНЦИОННОГО ОБУЧЕНИЯ ГОССЛУЖАЩИХ НА ОСНОВЕ ПЛАТФОРМЫ MOODLE В УСЛОВИЯХ ЭКОНОМИЧЕСКОГО КРИЗИСА	
P-52. Simić I. & Stanojević M. (Niš – Serbia)	396
TALENT MANAGEMENT IN TIMES OF CRISIS	
P-53. Sinanović M. (Gradačac – Bosnia and Herzegovina)	402
LEADERSHIP AT SCHOOLS IN CONDITIONS OF RADICAL CHANGES OF EDUCATIONAL SYSTEM IN BOSNIA AND HERZEGOVINA	
P-54. Сиротенко А.С., Старикова М.С. (Белгород – Россия)	409
ПРОБЛЕМЫ АНАЛИЗА АССОРТИМЕНТА ПРОДУКЦИИ В ПРОЦЕССЕ РАЗРАБОТКИ ПРОИЗВОДСТВЕННОЙ ПРОГРАММЫ ПРЕДПРИЯТИЯ КОНДИТЕРСКОЙ ПРОМЫШЛЕННОСТИ	
P-55. Скоробогатова Н.Е & Меньков М.П. (Kyiv – Ukraine)	414
АНАЛИЗ ДИНАМИКИ ИНВЕСТИЦИОННОЙ АКТИВНОСТИ РЕГИОНОВ УКРАИНЫ В КОНТЕКСТЕ ТЕОРИИ УСТОЙЧИВОГО РАЗВИТИЯ	
P-56. Слабинская И.А. & Колосова Е.В. (Белгород – Россия)	421
ВОЗНИКНОВЕНИЕ ВОЗМОЖНЫХ РИСКОВ ПРИ ДИСТРИБЬЮЦИИ ЛЕКАРСТВЕННЫХ СРЕДСТВ	
P-57. Сомина И.В., Мамонтова Д.В. (Белгород – Россия)	424
СТРАТЕГИЧЕСКОЕ РАЗВИТИЕ ПРЕДПРИЯТИЯ В УСЛОВИЯХ КРИЗИСА	
P-58. Stankovic V. (Novi Sad – Serbia) & Stankovic I. (Dublin – Ireland)	431
THE SOURCES OF RECENT INTERNATIONAL FINANCIAL CRISIS AND ROLE OF FINANCIAL REGULATION - COMPARATIVE STUDY WITH SERBIAN FINANCIAL MARKETS	
P-59. Stjepanović S. & Stjepanović K. (Novi Sad – Serbia)	436
THE IMPACT OF THE ECONOMIC WORLD CRISIS ON THE REAL ESTATE IN SERBIA THE INFLUENCE OF WORLD ECONOMIC CRISES ON SALE OF REAL ESTATES IN SERBIA	
P-60. Стрябокова Е.А. (Белгород – Россия)	441
КОНКУРЕНТОСПОСОБНОСТЬ СТРАНЫ И РЕГИОНА: ПОНЯТИЕ И СОВЕРМЕННЫЕ ПОДХОДЫ К ОЦЕНКЕ	
P-61. Щетинина Е.Д. & Пашнева В.А. (Белгород – Россия)	448
ЭКОНОМИЧЕСКАЯ СУЩНОСТЬ И ОСНОВНЫЕ ПРИЗНАКИ ТРАНСАКЦИОННЫХ ИЗДЕРЖЕК	
P-62. Шевченко М.В. (Белгород – Россия)	451
ОСНОВНЫЕ ПОДХОДЫ К ОПРЕДЕЛЕНИЮ ПОНЯТИЯ «СИСТЕМА УПРАВЛЕНИЯ»	
P-63. Ткаченко Ю.А. (Белгород – Россия)	454
СИСТЕМА ВНУТРЕННЕГО КОНТРОЛЯ КАК ЭФФЕКТИВНАЯ ФОРМА УПРАВЛЕНИЯ	
P-64. Выборнова С.В. & Выборновой В.В. (Белгород – Россия)	459
ДИАГНОСТИКА - ОСНОВА УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ	
P-65. Zivkov S. (Belgrade – Serbia)	461
APPLIED ECONOMICS IN TIMES OF CRISIS	

Volume 2

P-66.	Avdagić Dž. & Škoro M. (Sarajevo - Bosnia and Herzegovina)	465
	MARKETING - MANAGEMENT RESEARCH IN DIFFERENT TYPES OF MARKET STRUCTURES OF MODERN ECONOMY	
P-67.	Belokapić V. & Škunca D. (Belgrade – Serbia)	472
	IMPORTANCE OF MANAGEMENT STRATEGY IMPLEMENTATION IN MODERN ENTREPRISES WITH CONTINUOUS IMPROVEMENT OF EMPLOYEES	
P-68.	Bojić B. (Zenica - Bosnia and Herzegovina)	476
	MEASURE OF SUCCESS IN MANAGEMENT OF FACILITIES	
P-69.	Bosanac D. (Novi Sad - Serbia)	483
	A WORK CONTRACT ANNEX IN FUNCTION OF CORRECTION CHANGING WORKING CONDITIONS IN THE REPUBLIC OF SERBIA	
P-70.	Bukvić N. & Kurbegović S. (Sarajevo - Bosnia and Herzegovina)	488
	SPEED DIFFUSION OF MODERN TECHNOLOGY	
P-71.	Cvetković I.Z. (Niš – Serbia), Nikolić T.S. (Čuprija - Serbia) & Radomirović J. (Niš – Serbia)	495
	PLACE AND ROLE OF INSOLVENCY ADMINISTRATOR IN SERBIA	
P-72.	Cvijanović R. & Stajković J. (Belgrade – Serbia)	501
	PROTECTION OF COMPETITION LAW WITHIN EUROPEAN UNION	
P-73.	Čakarević R. (Belgrade – Serbia)	508
	INTEGRATION PROCESS AND CHANGES IN ADMINISTRATION OF SERBIAN REPUBLIC	
P-74.	Čolaković Đ., Đogić R. & Kulović Dž. (Zenica – Bosnia and Herzegovina)	513
	MANAGING EMPLOYEES MOTIVATION IN COMPANY IN ORDER TO ACHIEVE GREATER PERFORMANCE	
P-75.	Čolaković Đ., Đogić R. & Kulović Dž. (Zenica – Bosnia and Herzegovina)	523
	PERSONALITY AND DIMENSIONS OF THE PERSONALITY OF EMPLOYEES IN THE COMPANY AS DETERMINATION OF THE QUALITY MANAGEMENT	
P-76.	Dabović D. (Belgrade – Serbia)	533
	HARMONIZATION OF LAW IN THE PROCESS OF GLOBALIZATION	
P-77.	Danilović E., Zirojević D. (Banja Luka - Bosnia-Herzegovina) & Mijić R. (Prijedor - Bosnia-Herzegovina)	539
	WORK SUCCESS EVALUATION AS A PRE-CONDITION OF THE COMPETATIVE ADVANTAGE OF THE ORGANISATION	
P-78.	Dedović M. & Dedović N. (Leposavić – Serbia)	544
	CRISIS HITS INVESTMENT FUNDS IN SERBIA	
P-79.	Dedović M. & Dedović N. (Leposavić – Serbia)	549
	LIQUIDITY RISK MANAGEMENT OF BANKS IN TERMS OF THE GLOBAL FINANCIAL CRISIS	
P-80.	Dedović N. (Leposavić – Serbia)	555
	FATAL CHALLENGES OF CRISIS	
P-81.	Dimitrijević M. (Niš – Serbia)	562
	PROSPECTIVES OF ECONOMIC DEVELOPMENT IN GLOBALIZATION CONDITIONS	
P-82.	Đogić R. & Čolaković Đ. (Zenica – Bosnia and Herzegovina)	567
	ROLE AND SIGNIFICANCE OF FINANCIAL REPORTING IN BRINGING QUALITY BUSINESS DECISIONS	
P-83.	Đogić R. & Čolaković Đ. (Zenica – Bosnia and Herzegovina)	573
	THE ROLE AND SIGNIFICANCE OF THE INTERNAL CONTROL SYSTEM IN DESIGNING THE INTERNAL SUPERVISION SYSTEM AND RISK MANAGEMENT	
P-84.	Đorđević D. & Nikolić A. (Novi Sad – Serbia)	580
	PRODUCT PROCUREMENT SYSTEM IN MILITARY INDUSTRY	

P-85. Dozić M. (Sarajevo - Bosnia and Herzegovina) & Vuletić S. (Novi Sad – Serbia)	583
CONTEMPORARY APPROACH TO COMMUNICATION SERVICES MARKET RESEARCH	
P-86. Đukić V. (Banja Luka – Bosnia And Hercegovina)	590
THE ROLE OF ENVIRONMENTAL MANAGEMENT IN THE EVOLUTION BOSNIA AND HERZEGOVINA	
P-87. Đukić V. & Đukić B. (Banja Luka – Bosnia And Hercegovina)	593
HUMAN RESOURCE MANAGEMENT	
P-88. Đuretić G. (Belgrade – Serbia)	599
MANAGEMENT IN TIMES OF CRISIS	
P-89. Džinović M. & Radić M. (Sarajevo - Bosnia and Herzegovina)	606
GLOBALIZATION AND MODERN ECONOMIC ENVIRONMENT	
P-90. Gijić N. (Novi Sad – Serbia)	614
SOCIAL INTELLIGENT MANAGEMENT IN SERVICE OF DISSATISFACTION REDUCTION WITH EMPLOYEES	
P-91. Ignjatović S. (Belgrade – Serbia)	620
ISSUES WITH FINANCING SERBIAN ECONOMY AND COMPANIES	
P-92. Ilić D. (Belgrade – Serbia)	627
DEVELOPMENT OF NEW PRODUCT IN MODERN ENVIRONMENT	
P-93. Jerotijević Z. (Novi Sad – Serbia)	633
ORIGIN AND DEVELOPMENT OF EUROPEAN UNION, WITH SPECIAL LOOK AT TRAFFIC POLICY OF EU	
P-94. Jovanović N. (Belgrade – Serbia)	636
HUMAN RESOURCE MANAGEMENT IN TIMES OF CRISIS	
P-95. Karić D. (Belgrade – Serbia)	641
INTERNATIONAL FINANCIAL INSTRUMENTS OF EU-IPA- (INSTRUMENT FOR PRE-ACCESSION ASSISTANCE)	
P-96. Kolarić B. (Belgrade – Serbia)	647
THE INFLUENCE OF ORGANIZATIONAL STRUCTURE ON TRUST EMPLOYEES	
P-97. Kovačević S., Tošović-Spahalić S. (Sarajevo – Bosnia-Herzegovina) & Mrgud V. (Banja Luka – Bosnia-Herzegovina)	653
ARE COMPANYS' CHIEF EXECUTIVE OFFICERS OVERPAID	
P-98. Kovačević S., Tošović-Spahalić S. (Sarajevo – Bosnia-Herzegovina) & Mrgud V. (Banja Luka – Bosnia-Herzegovina)	658
ORGANIZATION OF PROCUREMENT PROCESS IN MODERN ENTERPRISES	
P-99. Kulović Dž. & Đogić R. (Zenica – Bosnia and Herzegovina)	662
TECHNOLOGY AS A PART OF NEW PRODUCTION ENVIRONMENT	
P-100. Kuzman S., Đogić R. & Kulović Dž. (Zenica – Bosnia and Herzegovina)	669
TRENDS IN ORGANIZATIONAL DESIGN	
P-101. Lepir S. & Popović I. (Novi Sad – Serbia)	677
COMPANY RECOVERY – KEY FACTORS	
P-102. Lomjanski S. (Novi Sad – Serbia)	681
SERVICE MARKETING IN MODERN ECONOMY	
P-103. Marić V. (Belgrade – Serbia)	688
CRIMINAL LIABILITY OF A JURISTIC PERSON	
P-104. Maričić T. (Mladenovac – Serbia)	692
MANAGEMENT-SELECTION OF RIGHT GOALS	
P-105. Mehinović M. (Doboj – Bosnia-Herzegovina) & Zečirović L. (Sarajevo – Bosnia-Herzegovina)	696
ELEMENTS OF TECHNOLOGICAL DEVELOPMENT AS INSEPARABLE PART OF MODERN ECONOMY	
P-106. Memišević E. (Sarajevo – Bosnia-Herzegovina)	701
THE RIGHT OF INTELLECTUAL PROPERTY	
P-107. Milutinović M. (Belgrade – Serbia)	706
USED CARS BUSINESS DEVELOPMENT CONCEPT FOR CAR DEALERSHIPS IN SERBIA	
P-108. Misirača D. (Belgrade – Serbia)	711
INTERNATIONALIZATION OF SERVICES MARKET	
P-109. Misirača D. & Kunić M. (Belgrade – Serbia)	716
FINANCIAL REPORTS ON SUCCESSFULNESS OF BANK'S OPERATIONS	

P-110. Mladenović V. (Niš – Serbia)	723
TRANSFORMATIONAL PROCESSES AND PUBLIC COMPANIES IN THE PROCESS OF GLOBALIZATION	
P-111. Momcilovic O. (Belgrade – Serbia) & Mijailovic J. (Šabac – Serbia)	729
SYSTEM DETERMINING THE LEVEL OF COMPANIES IN RELATION TO BEST PRACTICE OF COMPETITIVE COMPANIES	
P-112. Momcilovic O. (Belgrade – Serbia) & Rajakovic J. (Šabac – Serbia)	736
STRATEGIC MANAGEMENT AS A FACTOR OF STABILITY IN MODERN COMPANIES	
P-113. Momcilovic O. (Belgrade – Serbia) & Rajakovic V. (Šabac – Serbia)	743
TIME – THE MANAGMENT CAPITAL	
P-114. Muratović M. & Muratović Š. (Belgrade – Serbia)	748
AN ORGANIZATIONAL STRUCTURE MODEL OF WORK ORIENTATED LECTURES OF STUDENT EDUCATION IN THE FIELD OF CLOTHING TECHNOLOGY	
P-115. Mušibegović S. (Visoko – Bosnia-Herzegovina)	752
TECHNOLOGICAL DEVELOPMENT FOR A NEW MODERN ECONOMY	
P-116. Nikic P., Filipovic Lj. & Nikic-Milosevic S. (Belgrade – Serbia)	758
FINANCIAL MANAGEMENT AND FRANCHISING EXPORT POSSIBILITIES	
P-117. Nikolić T.S. (Ćuprija – Serbia), Cvetković I.Z. (Niš – Serbia), Ušćumlić M. (Sremski Karlovci – Serbia)	763
MEAN OF REENGINEERING	
P-118. Novičević N. (Kragujevac – Serbia)	769
CRISIS MANAGEMENT – NEW PARADIGM IN THE MODERN BUSINESS	
P-119. Pavlović M. (Belgrade – Serbia)	774
LAW, ECONOMY AND MANAGEMENT IN MODERN TERMS: CRISIS AND CRISIS MANAGEMENT IN GIVEN SITUATION	
P-120. Popović A. (Niš – Serbia)	779
DEVELOPING EMPLOYEES' EMOTIONAL INTELIGENCE	
P-121. Prokopovic B., Smiljanić Z.I. & Prokopovic S.T. (Niš – Serbia)	785
ROLE OF SERVICES IN NATIONAL ECONOMY	
P-122. Radojičić M. (Belgrade – Serbia)	790
MODERN MANAGING OF TAXATION	
P-123. Rajakovic J.; Mijailovic J. & Rajakovic V. (Šabac – Serbia)	794
THE PRODUCT DEVELOPMENT IN MARKETING SERVICE COMPANY FUNCTION	
P-124. Savić N. (Novi Sad – Serbia)	799
CONFLICT MANAGEMENT UNDER CRISIS CONDITIONS	
P-125. Savić Z. (Novi Sad – Serbia)	805
CYBER CRIME THREATS IN ECONOMICAL CRISIS	
P-126. Stanišić A. (Novi Sad – Serbia)	811
WORLD ECONOMIC CRISIS – RISKS IN BIH	
P-127. Stankovic V. (Novi Sad – Serbia)	815
PROTECTION OF SMALL (IN MINORITY) SHAREHOLDERS	
P-128. Stojanović V. (Banja Luka– Bosnia and Herzegovina), Ivanković S. & Jelenković M. (Novi Sad – Serbia)	820
PRUDENTIAL CONTROL AS INSTRUMENT IN RESTRAINING WORLD OF ECONOMIC CRISIS	
P-129. Škoro M. (Sarajevo – Bosnia and Herzegovina)	827
SERVICE MARKETING STRATEGY	
P-130. Tomić G. (Belgrade – Serbia)	833
POSITIONING STRATEGY – THE KEY SUCCESS FACTORS	
P-131. Ukić N. (Novi Pazar – Serbia)	836
INTERNATIONAL ECONOMIC COOPERATION OF SERBIA AS A KEY FACTOR FOR GETTING OUT OF THE ECONOMICAL CRISIS	
P-132. Urošević S., Riznić D. (Bor - Serbia) & Dukić A. (Arandelovac - Serbia)	841
RE-ENGINEERING OF MARKETING BUSINESS PROCESSES IN CRISIS CONDITIONS	
P-133. Vasić G. (Belgrade – Serbia)	848
THE WORLD ECONOMIC CRISIS AND ITS INFLUENCE ON SERBIAN TRANSITIONAL ECONOMICS	
P-134. Vukasović D. (Subotica – Serbia)	852
CONTEMPORARY FINANCE AND ACCOUNTING APPROACH TO RELEVANT COSTS IN TRADE	

P-135. Zirojević D., Danilović E. (Banja Luka - Bosnia-Herzegovina) & Dervić N. (Bosanski Petrovac - Bosnia-Herzegovina)	857
REGIONAL DEVELOPMENT AND CLUSTERS IN BOSNIA AND HERZEGOVINA	
P-136. Zirojević D., Danilović E. (Banja Luka - Bosnia-Herzegovina) & Mijić R. (Prijeđor - Bosnia-Herzegovina)	861
FINANCIAL DERIVATIVES	
P-137. Živković M. (Novi Sad – Serbia)	867
ENGLISH LANGUAGE VARIETIES IN INTERNATIONAL MANAGEMENT AND BUSINESS	

Volume 3

P-138. Ahmetović F. (Novi Pazar – Serbia)	875
INTERNATIONAL INVESTMENTS AS A CONDITION TO GET SERBIA OUT OF ECONOMIC CRISIS	
P-139. Aleksić J. & Aleksić M. (Banja Luka - Bosnia and Herzegovina)	880
PLACEMENT OF TOURIST PRODUCT OF RS FROM MARKETING PSYCHOLOGICAL ASPECT OF CONSUMERS	
P-140. Bilić S. (Novi Sad – Serbia)	889
CAUSES OF CRISIS IN THE COMPANY	
P-141. Čiaček J. (Belgrade – Serbia)	895
FOREIGN EXCHANGE CURRENCY POLITICS SUGGESTION	
P-142. Damjanović J. (Orašje – Bosnia and Herzegovina)	899
INFLUENCE OF GLOBAL CRISIS ON BUSINESS AND MARKET OF WORK OF COUNTRIES IN TRANSITION	
P-143. Dervić N. (Belgrade – Serbia)	903
BUSINESS BANKS AND THEIR INFLUENCE IN MODERN CONDITIONS	
P-144. Đurković Lj. (Prokuplje – Serbia)	908
STRATEGY OF REGIONAL DEVELOPMENT OF THE REPUBLIC OF SERBIA WITH SPECIAL TURN ON THE DEVELOPMENT OF LOCAL GOVERNMENT	
P-145. Gavrić S. (Doboj – Bosnia and Herzegovina)	914
PROBLEMS IN PERSONNEL MANAGEMENT - PERFORMANCES OF PERSONNEL MANAGEMENT GOALS AND PRINCIPLES AS THE PROBLEM OF MODERN MANAGEMENT FUNCTIONAL FIELD -	
P-146. Golijan M.D. (Belgrade – Serbia)	918
SPECIFIC CHARACTERISTICS OF FOUNDATION AND PERSPECTIVE OF THE REPUBLIC OF SERBIAN	
P-147. Гридчин А.А. (Lion – France)	923
ЗАДАЧИ ГРАЖДАНСКОЙ ПОЛИЦИИ МИРОТВОРЧЕСКИХ СИЛ ООН В УСЛОВИЯХ ЭКСТРЕМАЛЬНОЙ МИГРАЦИИ НАСЕЛЕНИЯ	
P-148. Grubor B. (Belgrade – Serbia)	925
MOTIVACIJA ZAPOSLENIH KAO FAKTOR USPEŠNOSTI	
P-149. Grubor G. (Belgrade – Serbia)	931
TRADE AS A FACTOR OF BALANCED REGIONAL DEVELOPMENT IN SERBIA	
P-150. Hadžić R. (Novi Sad – Serbia)	937
NEW CHALLENGES OF MANAGEMENT AND UNIONS IN TRANSITIONAL COUNTRIES	
P-151. Ivanović Z. (Sokobanja – Serbia)	943
CONSUMER PROTECTION IN SERBIA FOR PURPOSES OF OVERCOMING ECONOMIC CRISIS	
P-152. Ivić A. (Belgrade – Serbia)	948
MANAGEMENT IN MODERN AMBIENCE	
P-153. Ivičić D. & Savić J. (Banja Luka – Bosnia and Herzegovina)	953
PRODUCT AND STRATEGY OF CREATION OF BRAND	

P-154. Janković I. (Belgrade – Serbia)	959
PRAVNI ASPEKT MEĐUNARODNIH UGOVORA U PROCESU GLOBALIZACIJE	
P-155. Jeftić S., Petaković V. (Belgrade – Serbia) & Đurić J. (Moscow – Russia)	964
NECESSITY OF INTRODUCTION OF NEW CONCEPTS IN MANAGEMENT AND ORGANIZATION	
P-156. Jokić B. (Novi Pazar – Serbia)	970
EXAMPLES OF PROMOTION OF INNOVATION MANAGEMENT TECHNIQUES PROJECTS	
P-157. Kadušić S. (Maglaj - Bosnia and Herzegovina)	974
LAW, ECONOMY AND MANAGEMENT IN MODERN AMBIENCE	
P-158. Karić D. & Milačić D. (Belgrade – Serbia)	978
RE-ENGINEERING OF BUSINESS PROCESSES IN SERVICE ORGANIZATIONS ON INTERNATIONAL MARKET	
P-159. Kostadinović G. & Ilievska-Kostadinović M. (Belgrade – Serbia)	983
APPLICATION OF ELECTRONIC DATA EXCHANGE IN BUSINESS STRATEGY OF TRANSPORT COMPANIES	
P-160. Kostadinović R. (Belgrade – Serbia)	988
ADVANCEMENT OF PUBLIC COMPANIES' OPERATION PROCESS AS ECONOMIC DEVELOPMENT PRIORITY	
P-161. Kovač M. (Belgrade – Serbia)	997
REENGINEERING AS AN EFFECTIVE SOLUTION FOR A RE-DESIGN OF ACTIVITIES AND PROCESS IN COMPANIES	
P-162. Kovač R. (Istočno Sarajevo - Bosnia and Herzegovina) & Lakić M. (Banja Luka – Bosnia and Herzegovina)	1004
LEADERS IN MODERN ENVIRONMENT	
P-163. Kovač R. (Istočno Sarajevo – Bosnia and Herzegovina)	1008
NEW CHALLENGES OF THE PUBLIC SECTOR IN MODERN CONDITIONS	
P-164. Lakić V. (Gradiška - Bosnia and Herzegovina)	1013
SIGNIFICANCE AND ROLE OF THE IMF AND WORLD BANK IN GLOBAL ECONOMIC CRISIS OVERCOMING	
P-165. Lazarević M. (Vladimirci – Serbia)	1017
STATE OF MANAGEMENT IN EDUCATIONAL SYSTEMS OF SERBIA	
P-166. Lazarević-Petrović S. & Lazarević M. (Vladimirci – Serbia)	1024
MANAGEMENT DISTINCTIVENESS IN EDUCATION	
P-167. Lazić A. (Belgrade – Serbia)	1030
ORGANIZATIONAL CULTURE INFLUENCE IN MODERN BUSINESS OPERATIONS	
P-168. Lazić M. & Dević S. (Doboj - Bosnia and Herzegovina)	1035
MANAGEMENT OF THE RISK AND INSURANCE	
P-169. Lilić V. & Lazić A. (Belgrade – Serbia)	1042
SIGNIFICANCE AND POWER OF LISTENING IN MODERN BUSINESS OPERATIONS	
P-170. Lojaničić R. (Belgrade – Serbia)	1048
CRISIS MANAGEMENT AS A PART OF STRATEGIC MANAGEMENT	
P-171. Malešević D. (Novi Sad – Serbia)	1054
IMPACT OF REDRAWAL OF FUNDS OF FOREIGN BANKS IN SERBIA ON DINAR CURRENCY IN NEW CRISIS	
P-172. Malešević D. (Novi Sad – Serbia) Malešević M. (Belgrade – Serbia)	1060
BASIC CAUSES AND ASSUMPTIONS OF WORLD ECONOMIC CRISIS	
P-173. Mandić M. (Belgrade – Serbia)	1065
CRISIS AND CAUSES OF CRISIS IN A COMPANY	
P-174. Mikanović G. (Belgrade – Serbia) & Misirača D. (Gradiška – Bosnia and Herzegovina)	1071
E – INSURANCE	
P-175. Milačić D. (Belgrade – Serbia)	1077
MANAGEMENT OF DEVELOPING URBAN TOURISM IN SERBIA	
P-176. Miljković A. & Miljković Lj. (Prokuplje – Serbia)	1082
TAX AS LEGAL INSTRUMENT AND ITS INFLUENCE ON DEVELOPMENT OF BUSINESS ENTITIES' ECONOMY WITH RETROSPECTIVE VIEW ON VAT	
P-177. Miljković Lj. (Prokuplje – Serbia)	1086
PRIVATIZATION AND FINANCIAL MARKETS	
P-178. Mladenović V. (Niš – Serbia) & Nešović D. (Belgrade – Serbia)	1090
SOME NEW TENDENCIES OF INDEMNIFICATION IN INTERNATIONAL AGREEMENTS	

P-179. Mušibegović S. (Visoko – Bosnia-Herzegovina)	1097
MODERN STRATEGIES OF TECHNOLOGICAL MANAGEMENT	
P-180. Nešović D. & Civrić-Markov S. (Belgrade – Serbia)	1104
LEGAL REGULATION INFLUENCE ON LARGE BUSINESS SYSTEMS MANAGEMENT	
P-181. Novaković S. (Subotica – Serbia)	1111
CONCEPT OF DENOMINATION LEVEL OF CAPACITIES AND ITS INFLUENCE ON DECISION MAKING OF MANAGERS	
P-182. Petković Z. (Kraljevo – Serbia)	1116
INTEREST RATE RISK AND IMPACT ON ASSETS AND LIABILITIES MANAGEMENT	
P-183. Rajević D. (Belgrade – Serbia)	1121
MARKET SEGMENTATION	
P-184. Романович Л. Г. (Белгород – Россия)	1128
ИННОВАЦИОННО-ТЕХНОЛОГИЧЕСКИЙ ЦЕНТР КАК ВАЖНЕЙШИЙ ОБЪЕКТ ИНФРАСТРУКТУРНОЙ ПОДДЕРЖКИ МАЛЫХ ИННОВАЦИОННЫХ ПРЕДПРИЯТИЙ	
P-185. Simić G. (Doboj – Bosnia and Herzegovina)	1134
PROJECT FINANCING MODEL OF GENERATING TOURISM MATERIAL BASIS	
P-186. Stanković M. (Novi Sad – Serbia)	1138
INTELLIGENCE CONCEPT- INFORMATION BASIS OF KNOWLEDGE MANAGEMENT	
P-187. Stojanović V. (Banja Luka - Bosnia and Herzegovina) & Pavlović Đ. (Belgrade – Serbia)	1145
MODERN BANKING SYSTEMS	
P-188. Stojanović V. & Uremović N. (Banja Luka - Bosnia and Herzegovina)	1152
TOWARD NEW ECONOMIC SERVICES	
P-189. Subotić B. (Gradiška – Bosnia and Herzegovina)	1161
COMPANY MANAGEMENT IN CRISIS	
P-190. Suljaković S. (Maglaj – Bosnia and Herzegovina)	1165
THE ROLE OF MANAGEMENT AND UNIONS IN RESOLVING CRISIS	
P-191. Štulić B. (Novi Sad – Serbia)	1170
WORLD BANKING GROUP	
P-192. Tešanović B. (Belgrade – Serbia)	1173
CONSUMPTION BUDGET FUNDS AND ECONOMIC CRISIS	
P-193. Tomanović N. (Belgrade – Serbia)	1178
STATISTIC QUALITY CONTROL IN TEACHING PROCESS	
P-194. Udovičić I. (Belgrade – Serbia)	1183
ROLE OF MANAGERS IN KNOWLEDGE MANAGEMENT WITHIN THE TRAFFIC SYSTEM	
P-195. Vasilić D. (Belgrade – Serbia)	1189
CRISIS OF THE COMPANY, AND THE WAYS TO STOP AND PREVENT IT	
P-196. Vidaković M. (Novi Sad – Serbia)	1195
SYSTEM OF MORAL VALUES OF YOUNG PEOPLE AS A PRODUCT OF THE CRISIS IN THE SOCIETY	
P-197. Vidović G. (Novi Sad – Serbia)	1201
LAW, ECONOMY AND MANAGEMENT IN TIMES OF CRISIS - CRISIS OF THE COMPANY -	
P-198. Vojinović Ž. (Bajmok – Serbia)	1206
MODERN ASPECTS OF LIFE INSURANCE AND POSSIBILITIES OF ITS DEVELOPMENT	
P-199. Vuković B. & Šljukić V. (Belgrade – Serbia)	1211
ORGANIZATION, MANAGEMENT AND PROTECTION OF ARCHIVE DOCUMENTS	
P-200. Zaimović F. (Maglaj – Bosnia and Herzegovina)	1217
MANAGEMENT AND UNION ROLE IN SOLVING CRISIS	
P-201. Zdravković B. (Belgrade – Serbia)	1222
SELF-DETERMINATION OF PEOPLES AS INSTRUMENT OF ACQUIRING STATEHOOD IN MODERN CONDITIONS	
P-202. Zurnić S. (Gradiška – Bosnia and Herzegovina)	1229
PROCESS OF CRISIS MANAGEMENT	

MARKETING - MANAGEMENT RESEARCH IN DIFFERENT TYPES OF MARKET STRUCTURES OF MODERN ECONOMY

Avdagić Dževada ¹, Magbul Škoro ²

¹ Samostalni sindikat PPDIVUT BiH, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: ppdivut@bih.net.ba

² MUP Kantona Sarajevo, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: smagbul@yahoo.com

Summary: Consumer protection is one of the central questions of the development of market economy. The central issue is that we can not talk about protection for consumers if there is no regulated market competition, and also the level of competitive struggle. Only through competition, we can expect price flexibility as the ability to properly protect consumers. Market structure is one segment of the story, the second segment of the market behavior. Very often the problem that directly affects consumers is the inadequate behavior of participants in the market. Generally competition encourages raising the competitiveness of economy and increase consumer welfare, which must protect the appropriate mechanisms and standards. In reality, every market in the greater or lesser extent, deviate from the perfect market. Modern market economy means a strong state and its effective regulation with the imperative to create conditions for competitive market, while it does not imprisons market initiatives. Example of insufficient or no competition in the market by citizens of their own pocket to feel at every step.

Key words: market structure, imperfect competition, research, analysis.

1. INTRODUCTION

Many economic researchers write that each participant in market scene, be it a local or global market, tends to gain monopoly. This tendency prevents creating of competitive market and attacks producers directly. In discordance with basic market laws, consumer in such a market is put on the back burner in relation to the goal of monopolists to gain profit as easy as possible. Consequences of disloyal competition are multiple both for consumers and all producers, which is connected to economic development of the region, the country and world market.

Key problem in satisfying consumer needs, which is attained by delivering the expected value through the appropriate marketing content, is creating competitive strengths. Competitive strengths are realized in the form of the value created by a company which surpasses the value of resources used for realization of that value. In creating competitive strengths a company should conduct a procedure of competition analysis and competition selection according to which it will undertake competitive actions.

What follows on the basis of that is the choice of strategies for realization of competitive strengths. Competitor analysis starts with identifying the competitor, estimating their goals and strategies, estimating their strengths and weaknesses, and then it is pointed to perceiving the way in which the competitors will react to undertaken competitive activities.

Competitive strategies are divided to the strategies of market positioning and the strategies of dynamic actions in undertaking competitive activities. Strategies of market positioning comprise cost leadership, differentiating and strategies of focusing which can be cost focused and directed to focused differentiating. There is also a possibility of getting stuck in which a company is not have clearly defined in terms of market positioning – if it is oriented to a specific value, or to cost competition.

Strategies of competitive dynamics show the ways of operating on market in achieving competitive advantages. Strategies of market leadership have maintained or strengthened leader position as a goal. Provoking strategies are the most risky and the most radical, because they lead to repositioning of competitors and they demand bringing new resources and abilities into competitive game. Strategies of market following are the least dynamic and they are applied in developed industries or in the situations where game rules are clear. Strategies of market

niche give opportunities for ensuring specialization and development of special values for consumers with premium prices for niche companies.

Taking disloyal competition into consideration, this work will exhibit concise analysis of existing market structures and disloyal competitors, which present a serious problem of establishing a market with complete competition, which is the only guarantee for stable market whose mechanisms enable constant and viable course of the development of economy in total.

2. MARKETS

Taking into consideration complexity and intensity of competitive relations in global economy at the beginning of 21st century, it is much more complicated to achieve success on the market. The reasons are following:

- Power has shifted from producers to distributors;
- Multinational corporations are more and more powerful;
- New products expire faster;
- Consumer goods do not last as they used to;
- Digital technology led to development of a whole string of products;
- There are more registered trademarks and patents;
- There are more available products;
- Markets are hyper-fragmented;
- Advertising space is more occupied;
- Consumers became picky.

Basic aim of modern business is the achievement of business excellence and attaining world class of products and services. This can be done only if we continually improve the quality of operating of an organization, which is based on improving of work productivity and knowledge of each individual employed in the organization.

In modern economy quality is observed from the aspect of controlling – quality control should enable improving the quality of the business of the whole company. Basic factor of market success of a company in modern economy is attaining the optimal relation between the price and the quality, based on continual improving of business productivity.

Quality becomes basic developmental goal, which is achieved in business practice through securing business excellence and reaching world class in products and services.

Inbuilt quality concept is one of the most important factors in getting to stable market position in modern business.

Inbuilt quality concept comprises all quality elements related to consumer and user, that is, to giving satisfaction to consumers and improving quality. Quality of a certain product and a service represents just one of the elements of the market quality concept, but it also marks starting and finishing point of the complete cycle of improving business quality.

World economy today functions with many individual markets and all of them have recognizable structure which conditions adaptation in behavior of present producers towards consumers, as well as other performances which are a challenge of its kind for marketing-economic research. Depending on many and various types of market structures, according to the most economic researchers, there are six main [2]:

- market of "plain monopoly",
- market with a dominant company (corporation, cartel...),
- market of solid (even) oligopoly,
- market of loose oligopoly,
- market with monopoly competition, and
- market of complete competition.

Markets of plain monopoly, dominant company and solid oligopoly represent markets of inefficient competition [3]. It actually means that one or more companies dominate some market in the absence of conditions necessary for the development of a real market competition. Dominant company faces low strain of its rivals, while its small rivals face exquisitely high strain and risk forced by the dominant company which can use the mechanism of price rising and is capable of overtaking shares of the rivals from the market, to put them away from it. It is rare in practice, and newest trends in modern economy show tolerance of dominant companies, as well as organizing in clusters in the scope of a certain industry auto-clusters, tourist clusters...).

Loose oligopolies, monopoly competition and plain competition represent markets of efficient competition. Basic characteristics of efficient competition implies presence of combat among business rivals on the market. Intensive mutual strain is present on the market of efficient competition, so that competitors are forced to make maximal effort to survive on the market. It is characteristic that no rival in this type of competition has economic capacity of rising prices above costs, and therefore no possibilities to beat their rivals. It is typical of efficient competition that barriers for entering the market are low.

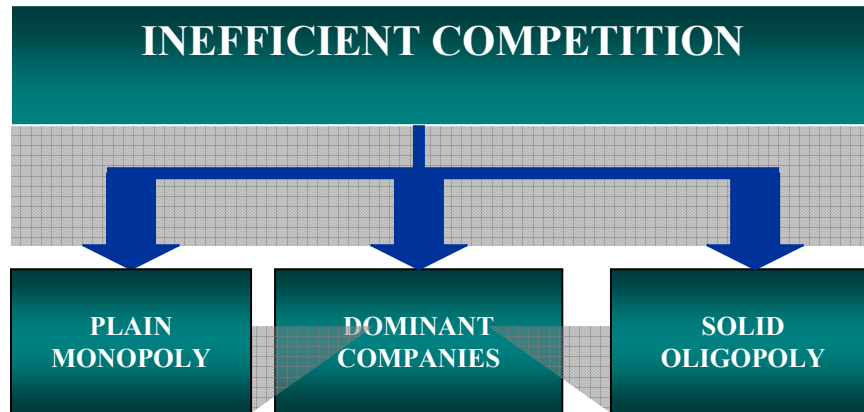


Figure 1: Market structures in inefficient competition

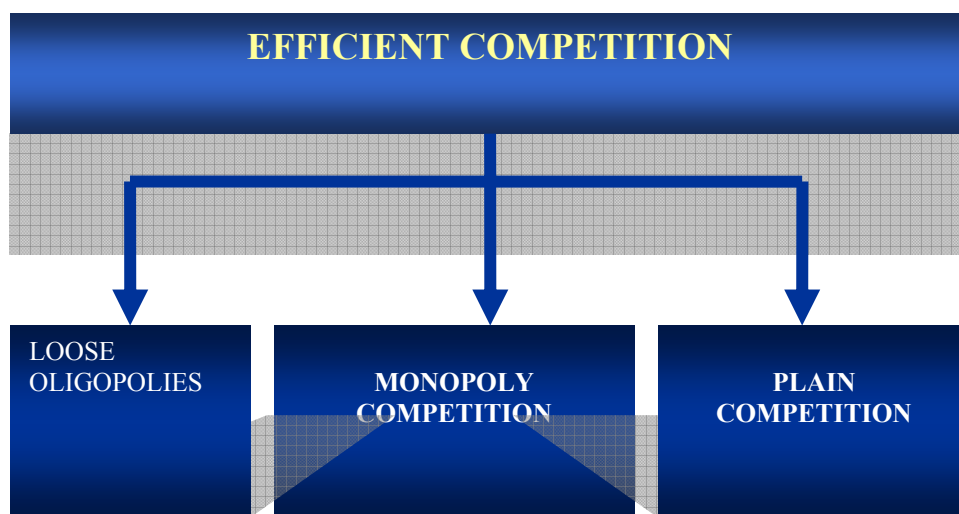


Figure 2: Market structures in efficient competition [2]

3. MONOPOLY ANALYSIS

Monopoly is such a market condition where there is just one company which does not have equivalent substitutes for its product, and on the other hand, there are many buyers. There are many kinds of monopoly. One of the basic divisions is: plain monopoly and partial monopoly.

In plain monopoly, there is just one company on the market segment which offers a specific product, whereas there is one big and many small producers who supplement them in partial monopoly. When we analyze monopoly we really analyze incomplete competition.

Basic cause of monopoly is the existence of certain barriers when entering into a market. The existence of such barrier annihilates market competitiveness and such markets become non-segmented. Entering such markets is mostly impossible, and even when it is possible, dominant company, which somehow became leader on that market, will have monopoly as long as a real competitor company does not come along, that is, as long as the factors which enabled creation of entering barriers on that market last.

If we take into account the way of origin, there are the following types of monopoly [2]:

- natural monopoly, easily recognizable when the key resource is available only to one company – corporation (e.g. oil, diamonds),
- public monopoly or law monopoly, since it owes its existence solely to government by the mechanism of law regulations (e.g. monopoly over salt, sugar, tobacco),
- economic monopolies made in processes of concentration and centralization of capital in branches and
- octopus monopolies made by symbiosis of economic and natural monopolies (e.g. rail, water supply, heating, production and distribution of natural gas).

Starting point of determining incomplete, or, yet better, imperfect market competition, is defining of market power. Market power in short represents a certain possibility to change the prices of the products on the basis of

certain economic parameters. The price of the same products from different producers mostly has a stable character, because all the present producers accept prevailing price, while any deviation from such a price carries a big risk, that is, the loss of consumers. This impossibility to change the price of a product is the most characteristic feature as a competitive product on the market and regard for so called rule of „prevailing price“.

If we thus observe a completely different market structure, a market in which one producer is in superior position over other producers, that is, they can offer enough goods at lower prices than the other producers on the market, such a producer becomes dominant supplier on the market. Such market dominance is called monopoly. Appearance of market structure of monopoly annihilates the difference between the curve of demand of that market and the curve of demand of a producer, that is, it becomes equal.

Markets with imperfect competition and inevitable emersion of a monopoly company, the curve of demand of monopoly company, enterprise, or a corporation, is identical to the curve of market demand for some product, and the consequence of it is inevitably descending slant. We can say that monopoly is the basic form of incomplete competition which gives it market power. Such monopoly represents a serious problem to establishing a market with complete competition, which is the only guarantee of a stable market whose mechanisms enable constant and viable development of economy in total. Flexibility of prices is very important on a stable market, the market of complete competition, because every single increase in prices of a company, increase in product prices, brings the company into a very bad position, because it will most certainly experience the fall in sale of that product, which inevitably leads to certain consequences.

When it comes to market monopolies and market oligopolies, different market conditions create certain specific situations on the market, which consequently demand a special marketing – management strategy. In figure 3 (a) and 3 (b) we have a presentation of market demand in cases of complete and incomplete competition.

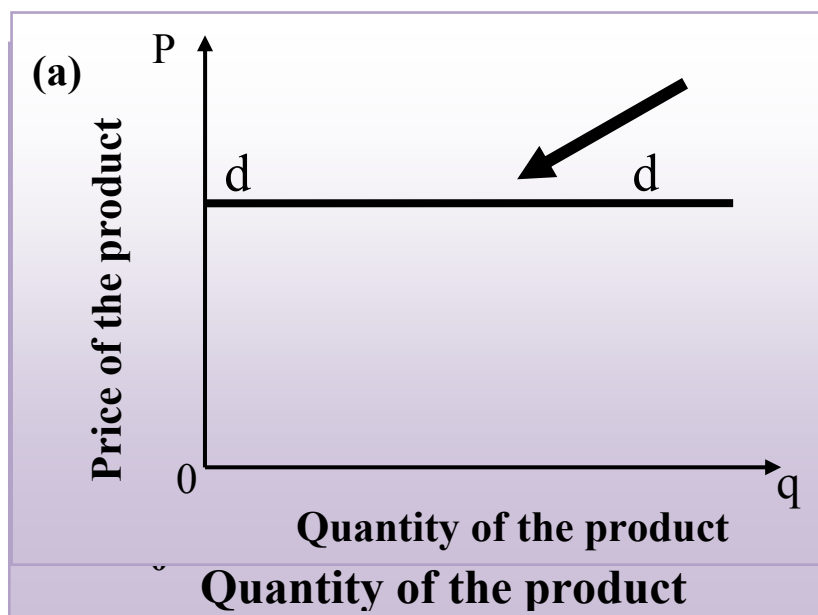


Figure 3: (a) Complete and (b) incomplete competition [2, pp. 220-221]

Curve of demand from complete competition ($d - d$) is horizontal, in difference to incomplete competition, where the curve of demand ($d' - d'$) has a descending slant. When certain producers or sellers have a certain measure of control over the price of the product in some sector and by it they exert segmentation of the market, it leads to incomplete competition in that sector. Incomplete competition does not imply that a company has absolute control over the price of its products. Monopoly is different from a competitive company in flexibility of a price of demand with which the company is faced. With a perfect competition company, flexibility of the price is endless. If a competition company increased the price, it would result in decrease in sale. It is completely opposite with monopoly, because it has a significant control over the price, increase in price does not lead to decrease in sale, and by that they exert market superiority.

Long term research of factors of sources of monopoly pointed to five main factors of monopoly sources. Various combinations of these factors give real possibility to a company, enterprise, corporation, even a state, to become a monopolist.

These factors are the following:

1. Factor of exclusive control over strategic raw materials,
2. Factor of economy of,
3. Patents (inventions, new technological solutions),

4. Factor of net economy,
5. Factor of license or franchise by support of appropriate state regulations (government support).

4. NATURAL MONOPOLY

In analyzing success in doing business a very important variable is ratio of saving in proportion to the scope of production. In exceptional cases this ratio can be extremely favorable, that is, possibility of saving is big. The result of such a big saving is a form of monopoly called natural monopoly. Natural monopolist has a potential of a big production scope, which can satisfy – cover total needs of market with a certain product.

By the fact that a company can produce supply for the whole market much more efficiently than a larger number of (smaller) companies, its total average cost records descending trend. Realized savings give the producer immense advantage over alleged rivals who do not have conditions to be competitive, where there is a company with exceedingly low production costs which enable this company to sell at significantly low prices thus creating “natural” obstacle of new entering on the market.

Figure 4 gives a review of natural monopoly with descending curve of long term average costs (LAC) on the right and descending, which represents less costs for a company in providing service for the whole industry - $LAC(Q')$ in figure.

Television, telephone and cable services can be an example of natural monopoly. It is much cheaper to install a system of cables or telephone lines, than a mess of different competitive companies. Thus, one and only telephone or electronic company can supply the market more efficiently than a large number of competitive companies.

State regulations of natural monopoly show their reflection through the following examples [1]:

- a) state ownership and management,
- b) monopoly regulated by a state,
- c) exclusiveness of negotiating for natural monopolies,
- d) energetic implementation of anti-monopoly laws, and
- e) laissez-faire policy towards natural monopolies.

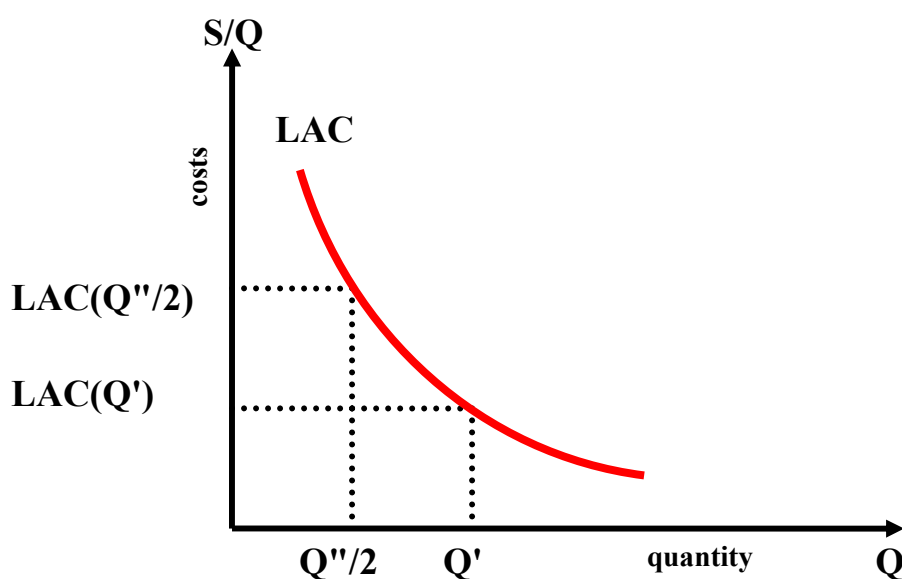


Figure 4: Natural monopoly [1]

5. OLIGOPOLY ANALYSIS

Oligopoly is a market structure in which there are several companies on the side of production which produce a homogenous product. Limited number of sellers should mean that relative importance of every enterprise by itself big, that is, that every enterprise in oligopoly can have the policy of production and policy of prices bearing in mind shares of other enterprises. This assumption has a fair ground which reflexes in cognition of mutual dependence of sale, production, investment plans and plans of advertising all the present producers on that

market. However, competitive struggle in oligopoly market condition is not ruled out, and there is a condition, almost a rule, in terms of correctness and tolerance.

Companies in oligopoly are not completely free in price policy, because they do not know competitors' prices. Oligopoly price is not made freely on the market, that is, limited number of participants enables policy of prices of each participant or mutual agreement on prices.

Mutual agreements on prices which aim to maximize profit and avoid competition turn the market into monopoly condition. In that case, oligopoly price is above production price, which enables bigger profit than normal. If companies in oligopoly support the policy of prices of one company which in their opinion has a rational price policy, we are talking about barometer leadership in prices.

At the same time, there is an administratively defined price in oligopoly market structure, when oligopoly price is determined by the strongest company, or the state. However, if the companies in oligopoly independently adjust their prices to the prices of the strongest company, we are talking about leadership in prices only.

Concept of "kinked demand curve" is based on the assumption that oligopoly markets show the existence of a certain interdependence which imposes a logic conclusion – lowering the price of the goods from producers' part below the existing, so called prevailing price, would have the effect of signalization to competition to do the same thing. If just one producer increases the price, that will not be the case. That is why there is so called "bend" on the curve of demand, in the place of prevailing price and corresponding discontinuity in the curve of marginal income. Both instances come as a result of different flexibility of demand, above and below prevailing price. Increase in demand can only come due to constant market participation in bigger market. Above prevailing price, demand is flexible, since unilateral increase in price of one company result in significantly decreased market participation of that company in unchanged or a market with negligible decrease.

Evident "curving" on the curve of demand clearly explains rigid prices in oligopoly structured markets, compared to prices in competitive markets. Diagram shows explanation of analysis, with the assumption that maximization of profit is the goal of the company, rigid prices come from significant variations in marginal cost (MC curve shifting to MC' in figure 5, which leave the level of output unchanged, where marginal cost is equal to marginal income. Any change in costs which does not provoke shifting of a new curve of marginal cost outside the zone of discontinuity on the curve of marginal income will not lead to a change in price.

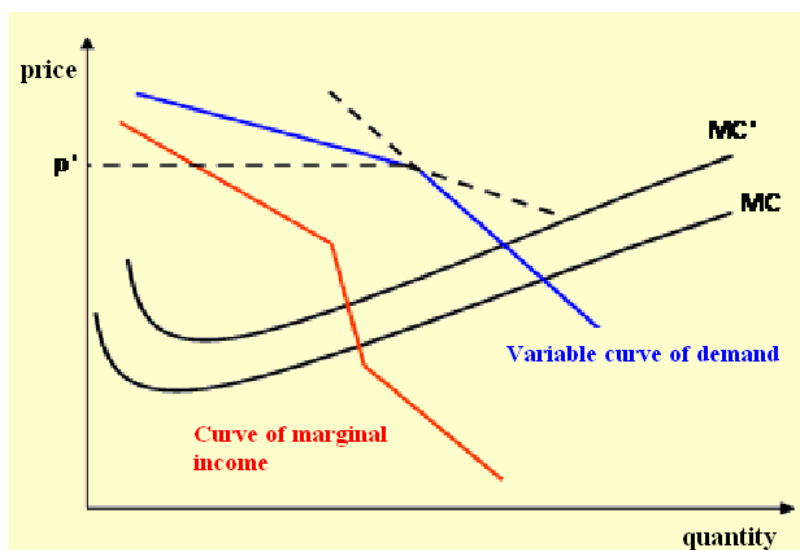


Figure 5: Variable curve of demand [1, pp. 252]

In the tone of "managerial theory of companies" W. J. Baumol develops hypothesis of maximization of sale in his work "Business conduct, value and growth" (1959). According to the hypothesis, maximization of total sale income is a subject of profit limitation, which is typical of oligopolies. Baumol defines complete limitation as a minimal level of profit needed to maintain and ensure support of shareholders. If this problem of limited maximization could be solved just by the choice of output level, then the prices would be lower with the growth of marginal costs, whereas the output would be higher than it would be the case if a company had chosen the level of output which maximizes the profit. In the case of including variable of "advertising", either commercial or output have to be higher than the level of profit maximization.

Oligopolies are mostly present in industrially developed economies: USA, Great Britain, Germany, France (cars, soft drinks, chewing gums, cigarettes, beer, oil).

We can say that oligopolies represent reality, and by that a characteristics of modern world economic development. Economic researchers have up to now mostly researched the simplest form of oligopoly - duopoly.

6. CONCLUSION

Basic cause of monopoly is the existence of certain barriers of entering into a market. The existence of barriers of entering into a market annihilates competitiveness of a market and such markets become non-segmented. It is almost impossible to enter such markets, and even if it is possible, dominant company that became the leader no matter how, will have monopoly until a real competitive company appears, that is, until factors which enabled creation of barriers of entering on that market.

If we take into account the way of origin we come across natural monopoly, recognizable by key resource available only to one company – corporation. Key resources are limited and rare, mostly taken from the nature (oil, diamonds).

The only credit for creating public or law monopoly has a state government, by mechanism of law regulations (e.g., monopoly over salt, sugar, tobacco).

Economic monopolies are made in processes of concentration and centralization of capital in branches, whereas octopus monopolies are made by symbiosis of economic and natural monopolies (e.g. rail, water supply, heating, production and distribution of natural gas).

Starting point of determining incomplete, or, yet better, imperfect market competition, is defining of market power. Market power in short represents a certain possibility to change the prices of the products on the basis of certain economic parameters.

A strong state: directed law regulation and market competition.

A weak state: non-directed or inefficient law regulation and imperfect market competition.

Here we have a specific question: is market power created by objective achieving of competitive advantages which are based on real risks and abilities, or is it disloyal competition which “has an ace in the sleeve” on the market and gains unjustified advantage?

We would rather join the opinion of disloyal competition.

REFERENCES

- [1] Đorđević, D.: *Mikroekonomija – savremeni pristup*, Privredna akademija, Novi Sad, 2008.
- [2] Stojanović, V. *Marketing menadžment istraživanja*, Panevropski Univerzitet APEIRON, Banja Luka, 2008.
- [3] Tipurić, D.: "Konkurentna sposobnost poduzeća", Sinergija, Zagreb, 1999.

IMPORTANCE OF MANAGEMENT STRATEGY IMPLEMENTATION IN MODERN ENTREPRISES WITH CONTINUOUS IMPROVEMENT OF EMPLOYEES

Vera Belokapić¹, Dubravka Škunca²

¹ Faculty for Foreign Language, Univerzitet „Braća Karić“, Belgrade, SERBIA

² High School of Modern Bussines, Belgrade, SERBIA

Summary: Adequate strategy choice enables company to be competitive and successful on market, especially in international global dimension. Strategy coordinates behaviour of an enterprise – it contributes to achieving goals, sets the rules for the internal relations and respects relation between organization and external environment. It represents general formula how certain company wants to succeed. Knowledge of foreign languages is very important criterion that certain company needs to fulfill in order to create adequate business strategy and competitive work environment. Knowledge of only one foreign language is not enough anymore, especially in the modern business world. On the road of achieving maximum competitiveness the primary task for companies is constant training of every employee and especially in the area of business language.

Keywords: business strategy, strategic management, competitiveness, business language, foreign language of profession

1. BUSINESS STRATEGY CONCEPT

Strategy represents essential condition for accommodation to changes and tough competition. Business strategy is complex business concept that consist of management guides that define market-product position of an enterprise, as well as direction of grow and development of company and ways of entering to new markets [1, pp. 7].

In the area of management, as well as whole business economy, concept of strategy is being used from the middle 20th century. Strategy is, first of all, connected with specific decisions that are brought by managers and are long term oriented and creates competitive advantage. They are related to certain area of business activity and are under a huge influence of stakeholder expectations, in other words, interest groups that have influence on operational decisions.

The word strategy is derived from Greek words *stratos* – military and *ago* – conduct, and it is taken from military terminology and it was referring to ability of successful conduct of war operations [5, pp. 312]. Strategy represents ability of general and market represents war environment in which there is constant battle for creation of competitive advantage and for survival [7, pp. 4].

2. IMPORTANCE OF STRATEGIC MANAGEMENT

Necessity of creation of business strategy is connected to environment of the companies that is more and more entangled by changes. Strategy is needed for organization to be able to adjust themselves to frequent and constant changes, as well as to respond to challenges from environment. Strategic thinking has enabled managers to create competitive advantage and be better than their opponents, as well as to concord new markets and sustain positions on already taken markets.

World market globalization and international trade liberalization have brought increase of international competitiveness on all levels. Hyper-competition, that has been created, has provoked market segmentation and market niche creation. Because of that enterprises are implementing restructuring strategy for sustaining high

competitiveness and creating competitive advantage and according to that general business efficiency is increasing. It is necessary that companies develop competitive strategy and to institutionalize strategic planning activities [3, pp. 97].

Shrinking of enterprises is noticeable in all market economies. Many companies are announcing bankruptcy or being taken over by other organizations. Because of that using of strategy is very often – it is important for enterprise to know all the factors of the environment, to adjust to the environment, to avoid threats and to use chances that are given.

In the area of market economy the existence of efficient market for control of the enterprise is very important. Even during 1960s Henry Manne has introduced term of market for control of enterprises and discover the high level of correlation between efficient managing and moving of the prices of the companies stock [6, pp. 110]. When company is successful, has good business results and implemented efficient managing, then the price of it stocks rise on market. This kind of company is hard to take over, because owners of the company are satisfied with managing efficiency and are not ready to sold their stocks. On the other side, inefficient business, loss and inefficient managing are resulting in decreasing of prices of stocks of enterprises on the market. Market for controlling company is being created and on this market take over of the company can happen. According to Michael Jensen take over represents logical consequence of competitive fight on free market and market for controlling the company enables creation of unique and specific mechanism for achieving restructuring and reactivation of assets according to market demand and technology progress.

Because of the fear of the sinking many enterprises have to implement changes and use strategy. By using strategy, enterprise is assuring its own survival and also future grow, development and progress.

Strategy formulating is analytical part of making decision about the method of achieving developing goals of an enterprise. Strategic planning represents process in which managers are actively involved and they all together creates and defining the strategy.

Strategic management is management of changes, because of the fact that it has been used by companies in turbulent and complex environment with frequent changes [8, pp. 18].

According to Certo and Peter strategic management represents continuous, iterative process focused on creation of organization that is completely able to respond to its environment [4, pp. 5]. Igor Ansoff defines strategic management as systematic approach, that implies higher responsibility of general manager. At the same time it is conditioned by connectivity of organization in a way that is assuring its continuous success [2, pp. 2].

Strategic management enables company to rationally and at the right time react on all the changes in the environment in which it is doing business. Strategic management consists of strategic planning (strategic analysis and strategic choice), that is most important, and strategic change (strategic implementation and control).

Strategic management integrates analysis of internal and external environmental factors, directing the organization, in other words, defining of vision, mission and development goals, formulating, implementation of strategy and strategic control.

According to Igor Ansoff high turbulence of the environment during the 20th century has conditioned the development of positioned and real-time management systems [2, pp. 25]. Positioned management systems are adequate for companies with predictable changes of environment and future. They consist of long-term planning, strategic planning and strategic managing of position. Real-time systems can help organizations that are in the conditions of great unpredictability and are exposed to unpredictable changes and discontinuity. These systems are contingent, in other words planning with more options, managing the strategic issues, strategic managing by using weak signals and surprise management.

Strategic management represents concept of managing economy organizations.

From its beginning in second half of 20th century in SAD it has been fastly spread on many other countries as well. Igor Ansoff is the responsible for the creation of the concept of strategic management that integrates strategic planning, which is important for strategy formulation and strategic implementation, that is related to implementation of decisions [5, pp. 332].

3. TYPES OF STRATEGY AND STRATEGIC OPTIONS

There are more different criterias for strategy segmentation. Depending of business function or area of which they are related to, there are production, marketing, research-development, financial, human resource and other strategies. Functional strategies are helping in achieving goals of certain functions. It is crucial to be in harmony with general strategy and to be coordinate.

According to organizational level for which they are being created there are strategies of an enterprise as a whole and strategies of certain organizational parts. The most common strategies classification is classification on strategies on the level of enterprise, in other words strategies of business units, operational strategies and international strategies. General strategy integrates strategies of all organizational parts and business functions

and represents strategy of the enterprise. This strategy refers to all current and future business activities, connected to achieving mission and goals of an enterprise, by which welfare for owners is being create. Strategy on the level of an enterprise consists of three types of strategy – growth strategy, stability strategy and strategy of contraction [9, pp. 86].

Growth strategies are the most common and integrates different alternatives, as well as, for example, internal growth, horizontal and vertical integrations, mergers and strategic alliances. Stability strategies are connected to keeping continuity in working, and strategies of contraction mean leaving certain jobs or segments.

Business strategies, in other words strategies of business units are based on a certain business activities of a company. These strategies define business of organization in the certain industry, market segment or organizational part and they define consumers, products, market and technology and in the most optimal way competitive advantage is being create inside of every business area. Strategic business unit is the smallest organizational part for which this kind of strategy can be define. This unit has all qualities of a profit centre, because it can represent it financial result and has, also, its own suppliers and consumers, as well as competition. In strategic business units the most common are used general leading in costs, differentiation and focus.

Operational strategies are strategies of business functions and they are connected to effective and efficient completing the functions, like finances, marketing and production. Defining and realization of operational strategies is under the influence of many factors – market, demand, product, price and inflation. Business units strategies should enable the most efficient using of resources and achieving the goals of a company.

International strategies are extremely relevant for big and complex international companies. Globalization and internalization of business has lead to a rise of importance of international strategy for smaller enterprises that are doing business with foreign partners.

4. ROLE OF FOREIGN LANGUAGE OF PROFESSION

Knowledge of foreign languages is very important criterion that certain company needs to fulfill in order to create adequate business strategy and competitive work environment. Knowledge of only one foreign language is not enough anymore, especially in the modern business world. On the road of achieving maximum competitiveness the primary task for companies is constant training of every employee and especially in the area of business language.

Environment of modern companies is under constant changes. Globalization has huge influence on individual, company, nations and by that on the whole mankind. On the road of achieving maximum competitiveness the primary task for companies is constant training of every employee and especially in the area of business language.

In the conditions of high competitiveness fast finding of professional information and their quality processing are one of the basic factors of getting advantage in constant market game. Practice shows that because of the quantity of information, professionals have to build skills that enables them to read very fast and to extract only crucial information from the text. That ability of fast selecting of information makes expert real professional. Employees that do not know foreign language of profession objectively have no chance, while reading professional literature on foreign language, extract important out of less important. Expert will talk to professional translator when it comes to official documentation (for example, contracts), but when it is needed to track information in certain profession, translator is not so helpful. Task of the translator is not and cannot be to instead of the expert do fast selection of important information. Also, in modern world adequate and efficient communication involves English and/or some other international language.

In the dynamic “linguistic industry“ on international scene, there is high rise of language courses specialized for certain areas of human activity. The most diverse offer is for English courses (for example, English in medicine, tourism, avio travel,...). But, similar courses for other languages are also appearing.

From the English speaking area there is on new wave that offers learning very specialized “English language for workplace“. There are efforts to enable employees to learn language for the purpose of certain working position, as well as adoption of language skills that are today highly valued from the aspect of competitiveness.

In modern companies, that have accepted concept of constant learning in the area of upgrading employees, special attention is given to the foreign languages of profession that are being taught to employees according to programs specially designed for certain company with usage of materials from the area of the company. In enterprises in Serbia, as well as in European Union, employees are most often being sent to specialization of English language. But, because of the cooperation with Russian federation Russian language has become one of the languages needed for efficient business.

Professionals with good knowledge of languages are very respected. Especially, in the countries in transition experts with good knowledge of foreign languages has a very high value for human resource recruitment management.

5. CONCLUSION

Necessity of creation of business strategy is connected to environment of the companies that is more and more entangled by changes. Strategy is needed for organization to be able to adjust themselves to frequent and constant changes, as well as to respond to challenges from environment. Strategic thinking has enabled managers to create competitive advantage and be better than their opponents, as well as to concord new markets and sustain positions on already taken markets.

World market globalization and international trade liberalization have brought increase of international competitiveness on all levels. Environment of modern companies is under constant changes. In modern companies, that have accepted concept of constant learning in the area of upgrading employees, special attention is given to the foreign languages of profession that are being taught to employees according to programs specially designed for certain company with usage of materials from the area of the company.

REFERENCES

- [1] Ansoff I., *Business Strategy*, Penguin Books, London, 1969.
- [2] Ansoff I., McDonell E.J., *Implanting Strategic Management*, Prentice Hall, New Jersey, 1990.
- [3] Bagarić I., *Tehnološki menadžment*, Fakultet za preduzetni menadžment Univerzitet "Braća Karić", 2006.
- [4] Certo S.C., Peter J.P., *Strategic Management: Concepts and Applications*, McGraw-Hill, New York, 1991.
- [5] Erić D., *Uvod u menadžment*, Čigoja štampa, Beograd, 2000.
- [6] Manne H., 'Merger and the Market for Corporate Control', *Journal of Political Economy* 73, Chicago, 1965.
- [7] Mašić B., *Strategijski menadžment*, Želnid, Beograd, 2001.
- [8] Steiner G.A., Miner J.B., Gray E.R., *Management, Policy and Strategy*, Macmillan Inc., New York, 1986.
- [9] Wright P., Kroll M.J., Parnell J., *Strategic Management - Concept and Cases*, Prentice Hall, New Jersey, 1996.

MEASURE OF SUCCESS IN MANAGEMENT OF FACILITIES

Bruno Bojić

SSŠ Center for education, Zenica, Bosnia and Herzegovina, e-mail: bruno.bojic@fpdp.edu.rs

***Summary:** Management in order to ensure their companies continued growth and development, are forced to search for opportunities to raise efficiency and effectiveness in the global market. Today in the world there are great differences in the schedule and available economic resources, natural condition production, in the allocation and to central technological potential, the potential labor force, knowledge, capital, raw materials, repro material, and the final consumer products. These are the challenges for international management that contributes to the linking of different most direct potential and interest in the widest world scale. It contributes to the successful overcoming of space, time, and cultural, ethical, and communicative barriers in the international market, either on the basis of comparative concepts or integral differential personal advantage. Of crucial importance not only posses modern technology but it is very important knowledge of the market and its laws. If the time anticipates all the needs and market requirements, we can make a profit. It is necessary to know the rules of the game on the market. The survival of companies and its progress in the modern conditions depends solely from the possibility of companies to adapt their product range, technology and product quality requirements of modern market. There are many products not only to be sold, but to fulfill the wishes and expectations of consumers. It is very difficult to realize because competition is increasing. Companies must transform the leading companies that will receive differential advantage of the global market.*

***Key words:** efficiency, effectiveness, organized, management, operations.*

1. INTRODUCTION

Vision, wisdom and knowledge management are a necessity for the functioning businesses. The main task of management in any company is to improve the quality of businesses, improve their vitality and, in addition, which will ensure survival, companies are obliged to ensure prosperity in the future. With planning and through communication with the environment, their task is to bring the company to selected goals. It is not so easy if you take into account the changes that occur in the world market, such as increasing level of globalization, and through it created hiper competition, changes in production, especially in trade.

Today changed the concept of business and every industry and every company is exposed to an international specialization and international competition, and even those who produce for the market They can not behave in the old way, neglecting the events in the world and not giving important future requirements. Today's businesses must have the world's criteria and standards in the business, good quality, high level of productivity and good prices, good competitive position, must be among the first and best, which can not be achieved if you follow the classic forms of conduct and business.

Internationalization, technical progress, the development of information required of companies to make timely responses and actions, and managers put the growing challenges and tasks. Management companies can not only be present for operating problems and their solving based on the acquired experience, and others plan to put a vital strategic issue.

The search for new approaches to solve existing and new problems today is easy. Since managers understand the future of search, new ways of competition, timely knowledge and opportunities of effectively use.

Each company functions and exists thanks to the vision, knowledge, skills and wisdom of management, their relation to risk, the ability to adapt, their attitude towards the future and business ideas with. Influence of various factors and environment turbulence in which the company operates, a good part determined by the existence and position of companies, as well as the way of management reacting on the chances and risks. The ability of

companies that adapt to changes in their attempt to overcome the effect caused by discontinuities, wider and longer horizon effects observation of actions taken, allows creativity in a commercial business.

Company and its management have always to learn, because the circumstances in which the developing global - World economy indicate the exponential development of knowledge in all areas, leads to a strong development of technology and information systems, a Contemporary companies must move together with the development of the organizations you learn. "Learning organization is the attitude or philosophy about what the organization can become" This is the "organization in which each engage in identification and solving problems, enabling the organization to continuously experiment, improve and increase their capacity".

It is not enough that managers and company only to learn, but it is important to learn faster and more effective than the other, to learn how their experience and the experience of others. Managers in companies need to understand the business environment and to understand the ability of a company, have the task of timely identifying opportunities and threats in the market, to detect strong and weak side of companies and their competitors and to identify those factors that are important for the business success of companies. The task is to bring them in logical connection with the potential businesses opportunities and environment to oversee the movement of companies towards the goals. They are the ones who manage and determine the way future operations, taking into account that the principle of efficiency and effectiveness. In other words, managers who need to do the right thing at the right time and in the right place, and with a minimum of human deployment, material and financial resources.

The extent to which managers will be effective depends on their attitude towards the environment, ability to predict changes in the same environment, and adaptability to changes. The task manager is to achieve the strategic goals of companies through planning, organization, leadership (leadership), and control. Vitality of companies is not only in its adaptability to changes, but also finding new opportunities. Proactive approach should be anticipated problems, to be able to make timely preparations for their resolution. Future growth and development can be achieved only if the company performs in the adjustment of the right time and in the right way, otherwise if absent right reaction, there will be developmental discontinuity. Proactive management attitude is reflected in the accepting change as something that is normal and its readiness to initiate change. Creative thinking they bring to the connection of things that are divided in space and time. Adequate choice of strategy is to provide flexibility to a change, but also a continuous growth and development.

On the new changes in their environment, company matches the planned changes, which take as a result of learning, and in order to remove certain barriers and to reduce the gap between current and required performance in the business. Company initiates and implements changes based on the knowledge of the business environment, the frequency and pace of external influence, as well as the size and character of various factors. Change has become a daily in the life of the company and imposed a different way of life. Changes can not be more stop, but we have to become aware of their existence and that they adapt as quickly as possible. Companies should be ready to customize, and executives to quickly react to the technological, political, legal and monetary changes.

New company strategy includes understanding the future and new ways of competition, identifying future opportunities and the mobilization of all resources of the company and request from him to establish its competitive advantage. Changes that company must be made based on previously determined vision.

Unadjusted newspapers and changes, as well as the lack of initiatives for change by businesses, each will make harder continuity of development.

In today's complex business conditions, if you want to survive, companies must constantly and again to adapt to new situations. In discontinuity conditions, a healthy culture and good business policy is the only company that changes considered normal state of affairs and is ready to fast adaptation.

1.1. Competitive ability and company orientation

Very strong competitive instinct and learning through the entire life of the factors that people meet. It is certain energy in the man who encourages his competitive potential. Competitive instinct constantly raises the level of knowledge and skills, especially leadership skills, creating huge potential for dealing with all the more complex and dynamic global economy. Competitive-oriented company is the company that can market to offer quality products and favorable conditions from competitors. Such oriented companies set themselves higher requirements, but also be new challenges. Accepting risk undoubtedly can lead to greater achievements and better performance. On the other hand, accepting challenges is something that is present in the blood of every successful leader.

Business strategy in the economy that are not given positive results must be quickly forgotten. We have to face the strategies that will be oriented towards the achievement of competitive advantage in the market. Since the current company performed its activities in the complex environment conditions it must apply the appropriate strategy conditions. Modern business strategy includes the achievement of good results achieved will be the latest developments in the field of innovation, information technology and reengineering.

2. ENVIRONMENT AND BUSINESS

Past companies can be seen with high degree of reliability, but the future can not. It must be a projection that is in any case unclear. Business uncertainty caused by modern companies is dynamic and complex environment that leads to new directions in business. According to the forecasts of leading experts in the field of economics and management, the development of existing companies will have the dominant influence of economic, social, political and information environment.

The economic environment is concerned, the maximum profit and minimum cost is the primary goal of business. Social influence consists of integration of economic and social value. The information environment has a special influence on the operations of companies. In order to achieve a profit, must be Modern monitor trends in the development of science and technology, the achievements of information technology and modern management information system.

Better knowledge of all categories of information technology enables better communication to the world market and favorable results in the international economy. The political environment is very important, especially in regard to the adoption of important strategic decisions. State regulation and the political system in the country make synergic work of all the factors surrounding the development of business systems and the successful survival of companies in the turbulent environment.

Modern and successful company must adapt to modern business trends. Modern trends include:

- The maximum profit and minimum costs,
- Compromises (successful cooperation between employers and employees),
- Information Technology (management information systems),
- A good and stable government regulations and political system.

3. SOCIAL RESPONSIBILITY OF COMPANY

Responsibility was for centuries felt as a moral action of people and businesses. In today's society need to make a profit may be contrary to the wishes of society for responsible behavior. Therefore, the state makes and implements the laws that regulate company behavior.

It is known Friedman's aspect that social commitment is the only company to achieve profit and social responsibility is essentially subversive concept, or to damage an open market economy. Iron law of responsibility says that if the company is not able to self-limit for the purpose of accountability to all stakeholder, then the task of society (usually in the image of the state) to take action limits (narrowing of autonomy and increase the number of law). Kerol suggests pyramid responsibility:

- Economic responsibility - only profitably company is important and valuable for society;
- legal responsibility - consistent with the expectations of the state and its rights;
- ethical responsibility - behavior in accordance with the expectations of social and moral norms;
- philanthropic responsibility to conduct expectations of society and various interest groups (be the donor and benefactor).

4. ECONOMIC MEASURES OF SUCCESS IN COMPANY BUSINESS

Efficiency in operations can be defined from different views (economic, technical, artistic ...), and depending on the can evaluate the performance of business. So, for example, from economic point of view, the economist considered that the company achieved its goal if the business has achieved favorable economic success, ie. relationship between the results of reproduction and investment that was necessary for its realization. To obtain the company greater success in your business should be done in accordance with economic principles, and to assess the success, you need to apply appropriate methodology of measuring. To ensure the success of business entities, it is necessary to implement and monitor the scale of the achievement of the principles of business, and achievement of business success.

In the economic literature considers the economic measure of business success:

- productivity,
- economy, and
- profitability.

Measurements of achieving productivity, economy and profitability expressed qualitative relation between the effects or results of the business and the amount of used or embedded elements of the work process. Thus obtained coefficient shows the quality of the reproduction and performance level business companies.

The productivity of work and the economy starts from the effects. The effects include the production or carried out any size, such as work rules, terms and quantity, product, or a representative value expressed in money.

When measuring profitability in formula takes the business results, which may be part of profit or gain. As an element of the work process is taken:

- in work productivity: the total number of employed investment or the number of hours,
- in the economy: the amount of work, the amount of spending items and the value of spending funds for the operation of, or costs,
- in profitability: average used proprietary capital, or an average of invested funds are used to achieve business results.

Successful operations carried out by improving the productivity of labor, economy and profitability.

To better achieve the business success of companies, it is necessary to:

- clearly define individual measure of success,
- find appropriate methods to measure individual performance and validate them in the practice of companies,
- make a comparison of real indicators of success in relation to the plan, time and space, and
- investigate some factors that influence to achieve a measure of success

5. DEFINING THE EFFICIENCY AND EFFECTIVENESS OF COMPANIES

Concepts of efficiency and effectiveness in management, in the form adopted in the leading literature on management, for the first time explained Peter F. Drucker 1966. in his book "The Effective Executive". According to the author, the efficiency of means to do things the right way ("the ability to do things right"), and the effectiveness of the computer means \neg diti right things ("get the right things done").

Effective is the company that all the \neg is defined objectives makes the most use \neg less of available resources (human, financial, material, and other information), which means that the efficiency based on the principle of maximal rationality.

Logical in this sense imposes the question of how to properly understand the economic essence of these two terms. Of not less importance is the dilemma of whether it is necessary to distinguish between the concepts of success and effectiveness. If the answer to the question is yes, immediately imposing other problem, as economically acceptable to do a distinction between these two terms. This is also true for the categories of efficiency and effectiveness. "Efficiency is usually defined as insurance specific the scope and quality of products or services with the lowest level of skilled resources to achieve the specification. Efficiency is defined as the right insurance product or service that allows the organization to achieve its vision and goals" [2].

Table 1. Efficiency and effectiveness

Efficiency			
		Low	High
E f f e c t i v e n e s s	Low	Products / services that customers do not want. High production costs.	Products / services that customers do not want. Low production costs.
	High	Products / services that customers want. High production costs.	Products / services that customers want. Low production costs. Manager was doing "the right things" in "the right way".

Source: www.issuu.com

"Efficiency is a request to the realization of a certain level of selected goals achieved with the least use of available resources, and the maximum use of their rationality, and the effectiveness of means to make the first choice pravilnih goals, and then to use the available resources make the maximum realization of the selected targets" [3].

Has a somewhat different opinion. Thus, for example, a number of authors say that efficiency is the relationship between the value of output and input values of companies, while the concept of success is about the realization of the aims degree in business companies.

One group of economists notion two different ways of company efficiency: a) the quality of the economy as an expression of the efficiency of companies and b) market efficiency companies. Besides, they first form of economic efficiency of identifying the quality of the economy companies. The quality of the economy, with your hand, indicates the productivity, effectiveness and efficiency. Another form of the efficiency of these economists indicates the name of market efficiency. Synthesis of both, the notion and getting the category of economic efficiency of companies. However, the protagonists of this approach in the expression of economic efficiency of businesses, ahead of the options should be regarded as synonyms, because they "include all elements of output from the system and the entrance in the system. If the output is higher than the entrance, even the companies operated more efficient. Greater efficiency to reduce operating costs and price becomes a factor of competitiveness in the market economy.« [13].

Decision of management companies is checked on the market. Companies that know their customers, their needs, wishes and preferences, you will be wiser to allocate limited resources in the development of new offers. Businesses proposition must have a value for the consumer, the consumers, we are landmarks in the competitive offer (products or services). In that sense, it is be effective so that the company can business in attractive markets and offer customers products that are in accordance with their needs, wishes and preferences. In other words, the effectiveness of choosing the right means work areas, and selection of the right objectives (do the right things).

6. UNDERSTANDING THE EFFICIENCY AND EFFECTIVENESS OF COMPANIES

There are two main groups to access the efficiency and effectiveness, and they are:

1. Traditional (classic) approach, i
2. New (modern) approach.

6.1. Traditional approach to efficiency and effectiveness of company

With this approach is partially measured the success of companies and is the phase of reproduction. Three basic approaches are :

1. Approach to achieve goals is most often used method, where they say that success is determined based on the company level to achieve his goals. This approach rests on the assumption that the company target oriented and tends to the realization of its goals. It is used when the objectives of the company clearly, when there is compliance between managers on objectives that will be a criteria for effectiveness, in the event that the number of targets small and that the level to achieve goals can be measured.

In terms of eligibility to serve as indicators of effectiveness differ: official (official), aims and objectives of operating companies. The official goals are formally adopted and published targets businesses that express the motives of the companies and it is measurable, and therefore unwonted for measuring the performance of companies. Operational goals are more suitable indicators of the performance of companies. Operational company objectives seeks realize in the operating business. Are very precise and is usually realized in the short term and may be easier to quantify.

When determining the effectiveness and efficiency of business is to find a few problems:

- Identification of goals (vaguely defined goals, their large number, goals conflict),
 - Determining the criteria and standards for measuring (objectives should be tangible, measurable and subject for verification).
2. Access to system resources is facing the entrances in the system companies. Starting point of the ability of companies to obtain rare and valuable resources from the environment and the way to take advantage of that offer environment. The main limitation of this approach is stressing the importance of acquiring resources in relation to the importance of their use. This approach is important for companies that are difficult to identify other indicators of effectiveness (scientific institutions).

Indicators of the effectiveness of companies are [10]:

- Company negotiating position,
- the ability of decision makers in companies that are detected and interpreted characteristics of the environment,
- the ability of the regular development of the operational activities of businesses, i
- the ability of companies to respond to changes in the environment.

3. Internal process access

Efficiency and effectiveness are expressed with the internal environment state of company and the efficiency of internal transformational process. This approach does not take into account the environment and businesses here

is important to use resources, how to reflect on the relations in the company, as well as on the efficiency of internal processes. The disadvantages are that access includes access to outside companies and are the results of his relations with the environment and assessing the success are often subjective (internal atmosphere in the company).

Access to the internal process includes two groups of indicators

1. Human relations, corporate culture and the overall atmosphere in the internal company (positive business climate, team spirit, graceful attitude towards the company employees, good communication, trust and cooperation between workers and managers, stimulating system of compensation, etc.)
2. Efficiency indicators (the relationship between elements of input and output elements of the Firm).

6.2. Modern approaches to company efficiency and effectiveness

Modern approach offers much higher number of indicators and complex in comparison to the traditional approach. There are two basic approaches:

1. Stakeholder approach

Identify the critical stakeholder companies and determine the most important objectives and stakeholder interests of companies. It is made and the step of measuring the satisfaction of stakeholder objectives and interests of companies. Benefits are complex approach, because it includes the external and internal factors, based on the multiple criteria and not ignoring any phase of business process and justification in the fact that the company that does not meet the goals of key stakeholders can be difficult to successfully accomplish their goals.

Table 2. Strategic constituents access

Stakeholders	Indicators
Spenders	Products and services quality
Owners	Financial results
Employees	Level of satisfaction
Creditors	Credit standing
Suppliers	Satisfactory transaction
Government	Respect the law

2. Access the value of competition

Combine multiple criteria in the measurement of efficiency and effectiveness of businesses. Explains the three value dimensions of performance criteria: the focus of companies (internal, external), the structure of companies (stability, flexibility) and the objectives of companies and resources to achieve. There are no universal criteria of efficiency and effectiveness that match each company.

The most important factors that influence the choice of criteria of efficiency and effectiveness are [9]:

- Influence of managers - influence to the company goals, managers deterring the goals and possible criteria for measuring company success,
- Goals measurement – which can determine the precise aim of the company, to be precise and can determine the level of realization of a goal
- Environment conditions – terms of procurement resources, complexity and environmental dynamism (flexibility).

7. CONCLUSION

The satisfaction of the basic economic principle that company can achieve with positive business results. However, it is not enough to further the future of companies in the turbulent environment. World globalization and the dynamic environment of many companies state that they must learn to adapt to unstable world market. Competence of companies will be a trademark in the business world. Knowledgeable companies very quickly perish, because they are not managed in time to complete the transformation and adapt its organizational structure and strategy developments in the market.

Knowing the competition is of great importance for companies. Therefore, it is necessary to monitor what competitors are doing and always be one step ahead of them.

The number one company in the business world is the company that is the accepted time modern concepts of operations and its business activity customize current events in the environment.

Challenges and limits of that carries "new economy", which is related to the organization and operation of modern companies, are really radical, that is a little of the standard of performances, starting from the factors of efficiency and optimal size, and stability to the business results, process decision-making, planning horizon and the organization of work retained its actuality. Business companies today, according to rule, held in the dynamic conditions of transformations in the technological environment, as well as in organizational terms. In such conditions flexibility and innovation become the main factor of growth and development companies, the organization is transformed in the direction of emphasizing the importance of flexibility and the network structure, and management is more and more engaged in research opportunities and possibilities for growth and development, and much less solving the crisis situation.

Networked resources have remarkable influence on the economic efficiency profiling companies. Therefore, their use is an important prerequisite of successful business entities. Without a good design of these activities can not be planning a new business and new products arriving to, and without the necessary degree, developed these activities, as a rule, there is no satisfactory economic performance.

Changes that carry "new economy", whose origin is in the environment, including changes to the group of exogenous characters and their actions and the direction of expression may be extremely limited company to act. Turbulence environment forces in a modern company that continually launch new products and new services.

REFERENCES

- [1] Mira Šunjić-Beus i dr: *Ekonomika preduzeća*, III dopunjeno i izmjenjeno izdanje, Sarajevo, 2000. godine
- [2] Grupa autora (Dr. M.Nikolić i drugi): *Ekonomika preduzeća*, Beograd, 2000.
- [3] Milisavljević M.(1997) *Osnovi strategijskog menadžmenta*, Naučna knjiga, Beograd, COBISS.SR-ID : 128696327
- [4] Grupa autora, (1992) *PRIRUČNIK ZA MENADŽERE*, IQ Media & Hat
- [5] Kolomejceva-Jovanović, L., (2001) *Upravljanje tehnološkim razvojem: izazovi trećeg milenijuma*, YU ISBN : 86-315-0247-2
- [6] Drucker,P.,(1975)*Innovation and Entrepreneurship: Practice and Principles*, Heinemann, London.
- [7] Milisavljević, M., (1995) *Javno preduzeće: karakteristike i performanse*, *Institut ekonomskih nauka*, Beograd
- [8] www.megatrend-edu.net
- [9] www.scribd.com
- [10] www.wikipedia.org
- [11] www.profinovinari.goodforum.net
- [12] www.poslovnapolitika.com
- [13] www.issuu.com
- [14] www.finansije.net

A WORK CONTRACT ANNEX IN FUNCTION OF CORRECTION CHANGING WORKING CONDITIONS IN THE REPUBLIC OF SERBIA

Draško Bosanac

Faculty for Education of the Executives, Novi Sad, SERBIA

Summary: *modified conditions of work in relation to the conditions that existed at the time of conclusion of agreement on the need to necessarily lead to changes of conditions of engagement and the rights and obligations of contracting parties. Present recession this problem even more topical, and this paper will focus on manifestations and practical solutions changed working conditions through the use of the Institute annexes of the contract. In particular, the importance to all present abuse of this institution by the employer, which, often, complete cancellation of the contract. Instead of the legal means by which it is possible to monitor and recompose relations work under changed conditions, in accordance with the objective circumstances and market developments, are often the means by which employers, unfounded and unjustified, reduce the number of employees and of workers involved. Annex of the contract is converted, often illegally, from the regulators of the changes in working conditions in the legal basis of the contract cancellation and termination of employment, which security and the working status of the employee depends, exclusively, of the subjective attitude of the employer. Abuse of annexes of the contract may be negatively affected, and as insufficient, employment in our country, and the use of the Institute in practice should be the appropriate control.*

Key words: *modified conditions of work, cancel the contract of work, legislation, abuse, impact on employment*

1. INTRODUCTION

During the conclusion of contracts in general contracting party have in mind the existing circumstances of the subject of the contract and want to achieve that goal is dependent and determined by the circumstances. At the same time have in mind the circumstances and whose performance are expected, when their circumstances and can be known. However, during the execution of the contract can compete in events at the time of the conclusion of the contract are not normally able to predict, and that lead to the fulfillment of obligations to one of the contracting parties to become overly hard or overly applied her great loss. Almost all legal systems are such that the change of circumstances with these consequences should be taken into account and should provide protection of the changed circumstances of the hit and where on the contract has not told (about the policy changed circumstances - *Omnis conventio interpretatur rebus sic stantibus*). The contracting parties, which can not achieve the purpose of the contract is, if other conditions are met, the right to request to cancel the contract. The contract will terminate if the other offer or agree to the terms of contract just changes (the 133rd pg. 1 and 4 of the Law of Obligations). Ništavi the provision in the contract of the contractors in advance renounce the right to call the changed circumstances (art. 136th Law of Obligations).

In the context of the conclusion of the contract under the modified conditions (hereinafter: Annex of contract) clause *rebus sic stantibus* is the result of balancing the interests of contracting parties when their circumstances that brought changes in the state of material-law in relation to the time of contract of work. These circumstances have a new, because at the time of the conclusion of the contract could not predict the changing conditions and important business employer (market crisis in the activities performed by the employer, reducing the volume depending on objective, which requires reduction of the number of workers at the employer, etc.). . Because removal or reduction of work it can not achieve the purpose of the contract.

Undoubtedly is that the Institute established, primarily in the interest of the employer, because the law regulated in this regard. Possible cases in which employees, as a contracting party, asked the legislator changed conditions

have not announced as a possibility in the context of this institution, and established, it can be assumed that the failure of legislators or making rights matter to the employee proposes to amend the conditions of employment remains in the field of trade union activities. Consideration of the institute annexes of the contract we will see through a review of legal solutions from the previous and the current Law of the Republic of Serbia, from the standpoint of the applicability of the practice and consequences of the products.

2. WORK LOWFROM YEAR 2001

Termination of the contract under the modified conditions of the contract or annexes, moderated the Law on the work from 2001. year ("Official Gazette of RS", no. 70/2001 and 73/2001), opened a series of questions, theoretical and practical, the level of real equality of employer and employee, as contracting parties, no matter how much the legislator declared equality in respect of the occasion. Actual inequality is, on the occasion of relations work, the most in the negotiations on the conditions of the engagement, but when you close the contract mutual rights and obligations of contracting parties are, or should be clearly defined and insure relative equality of contracting parties.

The possibility that predicted former legislator, that the employer offer employee termination contract under changed circumstances, could damage it is important, relative equality of contracting parties of the contract, occurred after its conclusion. The announcement of the legal uncertainty of the position of one of the participants on the occasion of the legislator is trying mitigate formulation Paragraph 2 Article 103 which states that "an employer may offer the conclusion of a contract employee on the work under the changed conditions from legitimate reasons." Abstraction the notion of "valid reasons", in the circumstances and character of our working relationship and engagement of the general, so the unordered that it can subsume under many or most of the reasons that the employer present and likely did, although in theory there are views on how the concrete. Logical practical question, which is still imposed, on the way and what instruments will be the competent authority, of the inspector, in the case of a dispute, to make objective claims that his employer's reasons, to provide the employee the conclusion of the contract under changed circumstances, justified. In our case this issue, it remains without a reply.

Ministry of Labor and Employment was the opinion that the employer must, in addition to annexes of the contract, under the changed conditions, the employee, in accordance with Article 120 Law on the work, and deliver a solution that contains, among other things, reasons and the legal from which it can assess whether there were valid reasons to amend the contract of work. If an employee believes that there were no valid reasons to amend the contract of work, even if the same sign, can be started before the competent court. In this clarification process assumptions, which allows employees to become familiar with the reasons justified the changes on the contract work, is not important arguments in favor of establishing the usefulness of such institutes and the legal status of security employed in its implementation.

Epilogue employee refusing to conclude a contract on the work under the changed conditions of the contract cancellation by the employer, it paragraph 3 Article 103 Law on the work. It is difficult to break the impression that this, non-standard, legal instruments of the former lawmaker wanted to strengthen the position of the employer in relation to the employee in the work contract, motives and intentions can only speculate.

We tend, in general declaration of market importance, and legal employment in the solutions, suppose that the intention of the legislators, change of the employee-worker in his duties, rights and responsibilities in the work, where his employment status relatively many circumstances, this force to quickly pass phase post auto leaders awareness, which is complex and multi caused problem that must be solved by evolutionary and parallel in all segments of social, economic and equal environment.

Provision on the possibility of concluding agreements on work under the changed conditions in the structure is situated in a part of the law governing termination of employment cancellation by the employer. This conceptual approach to the previous Legislature confirms the Institute's many features a potential legal basis for termination of employment, but a legal instrument to change the existing terms of contract between employer and employee. Legal brief review of the rights of some of the neighboring countries shows that in these countries closely associated with the Institute for the employee quit, quit because practically preceded the offer of the contract amendment. So the Law of the Republic of Croatia ("Public newspaper", br.30/04) in the 121st member says that "the provisions of this Law relating to the notice, apply to the case and cancel the contract when the employer and at the same time propose a contract worker on the assembly under the modified conditions (s notice changed bid contract)." Law the Federation of Bosnia and Herzegovina ("Official Gazette of BiH Federation", br.43/99) in its Article 97 regulate this institute in identical manner as the law of the Republic of Croatia. The practical application of the laws observed in BiH and Croatia and canceling the existing contract of the employee and at the same time he offered the conclusion of the contract under the modified conditions, and that employees who accept the offer of the employer reserves the right to amend the contract to the competent court opposing permissibility of such cancellation of the contract. Previous Serbian law, the above-mentioned

law, creates a legal situation in which the employer, in the current contract of work, offers employee acceptance of the changed conditions, which, in the case of acceptance, regulate Annex of the contract. In the case of non modified conditions it cancels the contract for work. In the Croatian and Bosnia-Herzegovina legal solutions to this Institute is logical that the changed working conditions regulate the new contract, and not annex the current contract, because it is practically canceled the contract, regardless of whether the employee is a proposal for the conclusion of the contract under the modified conditions with the cancellation of contracts.

In the practical implementation of the Institute of the conclusion of the contract under the modified conditions, immediately after passing the previous law, found the first irregularities and fraud. Thus, V. Brajić emphasizes that, by making the law work, in public enterprises and services and some services offered to all employees of the contracts. In one of the cases, the contract is concluded for an indefinite period of time off after 7 days of the conclusion because the employee's work became unnecessary. In this act the employer recognized the typical abuse of this institution, because the BREAKING of the contract for an indefinite period of time, immediately after its adoption, contrary to its legal nature, purpose and rules governing, and from that act, is not there for, relatively, longer duration of the contract work for an indefinite period of time. Is practically excluded the possibility that the period of 7 days from the date of conclusion of the contract ceased to exist a need for the work of employees who assumed as constant and permanent, and in the relativity of the term. The contract could be canceled from some other reasons, which are by law the basis of cancellation of the contract, which in this example is not the case, because it is the clearly formulated.

Any explanation, in the sense of justified, such performances are not employer based, because it compromise agreement of the Institute for an indefinite period of time. Realistic is to assume that the employer, it inadequate factual and legal situation of the actual engagement, I would overcome the legalization of the termination of application, a broad set term, the institute concluding the contract of work under the changed conditions. It can be expected that in the proving and reasoning "legitimate reasons" for concluding the contract on the employer under the modified conditions of use of different arguments and claims, particularly when the issue of termination of the need for employees as possible after the event concluding annexes of the contract. It is also certain that the basis of explanation based on the circumstances and low holes certain legal provisions and the necessity to fill the legal gap closure annexes.

The provisions of the previous law on the possibility of concluding the contract of work for an indefinite period of time under the modified conditions was reviewed and considered especially critical in the whole legislative solutions. The possibility and the right employer, in this context, they had to be precisely determined, interpretive tightly controlled and in practical application.

3. WORK LOW FROM YEAR 2005

Act (Official Gazette of RS ", no. 24/2005 and 61/2005) is probably having in mind and the fear that we, the solutions for unfinished contract work under the changed conditions stated in the previous law, these issues concrete edited and, in part, reduce the potential for abuse of changes of the contract.

Broad formulation previous Legislature, which the employer can offer the conclusion of a contract employee on the work under the changed conditions "justified reasons from" the applicable law is detailed predictive eliminate these reasons. So the 171st member current law the employer can offer employees to change the conditions of the contract (Annex contract): to transfer to another suitable job, for the purpose and organization of work, to transfer to another place of work with the same employer, in order to make the work on the job at another employer if the employee who is a surplus of rights provided in Article 155th paragraph 1 item 5 Law ("measures for employment: transfer to other jobs, work at another employer, or qualification, less than the working time, but not less than half of the full working time and other measures"); from Article 33 paragraph 1 points 10, 11 and 12 Law ("the amount of primary earnings and elements to determine the performance, earnings benefits, increased wages and other income the employee; deadlines for the payment of wages and other income that the employee has the right, referring to the collective agreement, or the rules of procedure that is in force "), in other cases established by the act and the general agreement on the work.

From the above results for cases that are not determined by law or general act or contract of the employer can not be employed to provide the Annex of the contract in order to change these conditions.

In any case, the employer is obliged to employee in writing the reasons for the delivery of concrete proposal, with the period in which employees need to make a statement about the proposal, and point out the legal consequences that may arise refusing offers. It is important that this written notification that more explanation of reasons for that change offers some of the provisions of the contract.

Rock, in which employees need to vote on contract offer annexes is determined in the digest and can not be less than 8 working days (Article 172 paragraph 2 of the Law). If this deadline ends without speaking believes that the employee refused an offer for the conclusion of the contract annexes and the employer can terminate the contract on paper.

If the employee accepts the offer to change the contract conditions come to the signing of the contract annexes. By accepting the offer of employment and preservation of the employee retains the right to the competent court opposing the legality of such agreements on paper, within 90 days of the conclusion.

Case of transfer to another place and make the work of other current employer, the legislator was thoroughly edited so that there is no serious possibility of abuse by the employer. Thus, employees may be moved to another place of work if the employer activity such nature that the work done in the outside seats employer or its organizational parts, and if the distance from the place of work in which employees work to the place that is moved to the work of less than 50 kilometers and if it is organized regular transport, which enables the timely arrival to work and return to work, and has provided benefits in the amount of transportation costs in the public transport tickets.

Employees may be temporarily sent to work at another employer on the job if you need to temporarily stop his work, given in the lease business premises or signed a contract on business cooperation, while the reasons for the referral, and the latest year. With the consent of employees, in the cases established by general act or contract work, may be sent to work at another employer and more than a year, while the reasons for the referral. With these employees, employer concludes a contract on paper to a specific time. Employee to the agreement on paper can not determine the rights of the lower right that had the employer in which it is sent to work. After that was sent to work at another employer, the employee has the right to return to work at home employer, which it is sent to work.

In the case of status changes, or changes an employer, in accordance with the law, the employer takes the successor of the predecessor employer, the general act, and all of the contracts that are valid on the day of change of employer. Employer is a predecessor of the successor employer is obliged to fully and truthfully inform about the rights and obligations from the general acts and contracts on which work is transferred. Successor employer is obliged to apply the general act of the employer at least one year from the date of change of employer, unless before the expiration of that period: the time expires to which the collective agreement concluded with the predecessor employer or successor employer to be concluded a new collective agreement. About all the circumstances downloading a predecessor employer and successor employer are obliged to inform the specific terms of the trade union representative, and where there are not employees have the right to be notified immediately.

Sensitive category of "adequate job," in which employees can be moved, the legislator is also defined and prescient that "the work considered appropriate for the work whose performance requires the same type and level of qualification, which are determined by the agreement."

The process of giving and accepting bids for the conclusion of the contract annexes, as well as the rights of employer and employee about this, Article 172 are solidly in order. However, although it is a visible improvement of the questions changes the conditions of the contract in relation to the previous legal texts remains to be seen whether, and to what extent, the Institute will be abused by the employer in practice.

We are thinking that the possibility of concluding the contract of work for an indefinite period of time under the modified conditions, if it is not enough concrete settled, a precedent that may affect its application to expand and contract some work to engage the work of outside employment. Subsequent changes to the contractual conditions may enter the legal uncertainty in the contractual relationship and especially on the side of weaker economic side, the employee here. Logical would be to change the contract on the Annex, as a rule, in cases when the modified conditions of both agree on the occasion of the contracting party, or when it is beneficial to both sides. In practice, such cases would not be rare, because the improvement of conditions as possible, at the same time, and for the employer and employee, or perpetrators of a job. Improving conditions for the contracting party does not have to mean worse conditions for the other side (the issue of increasing wages and benefits with the increase in performance, etc.).

Insecurity of work and working status of the employee or employees (in the sense of permanence) may be caused by the insufficient capacity and expertise, in relation to work or business objective, but not self-employer to change the terms of the contract by personal discretion or on the basis of current and secondary conditions and circumstances of work. Abuse of annexes of the contract may be negatively affected, and as insufficient, employment in our society, and the use of the Institute in practice should be the appropriate controlled.

4. CONCLUSION

When concluding the contract of the employer and employees have in mind the existing circumstances and conditions related to concrete work. However, during the engagement of the work it is possible that the terms and conditions of business of employer performing work of a significant change due to market events, which often do not depend on the contracting parties, and then there is a need to respect the engagement of the offices under the changed conditions. That changed the relationship of the engagement regulates the annex of the contract. Changed circumstances must be objectively determined, in order to avoid the possibility that the

employer and the phenomenon of abuse institute conciliation agreement on the work under the changed conditions in order to reduce the number of workers, providing the cancellation of the contract employees who do not accept the changed conditions of work, when there are not justified reasons, economic, and organizational. So, later changing the contractual terms can enter the legal uncertainty in the contractual relationship and especially on the side of weaker economic side, the employee here. It is a necessity in the changed conditions of the contracting party to consider a minimum of interest and other objective criteria conditioned changes present and confirmed the conclusion of the contract annexes, which will be avoided by modifying the conditions of the free evaluation of your employer, which is often driven current interest and business conditions, without consideration of the overall problem of engaging the concrete work. Illation annexes of the contract due to changed conditions can be the cause of insecurity and the status of the employee only if the objective is dependent on the market situation and results of operations of bad employers.

REFERENCES

- [1] Čolić B., sudija Vrhovnog suda, *Prava i obaveze direktora i ostvarivanje prava zaposlenih*, "Radno i socijalno pravo", br.4-6/2002, Beograd, str.109.
- [2] Mišljenje Ministarstva za rad i zapošljavanje broj 011-00-1/2002-02 od 09. 01. 2002.
- [3] Brajić V., *Prava radnika i poslodavaca i zaštita prava u radnom sporu*, "Radno i socijalno pravo", br.4-6/2002, Beograd, str. 28.
- [4] Zakon o obligacionim odnosima ("Službeni list SFRJ", br.29/78, 39/85, 45/89 i 57/89, kao i "Službeni list SRJ", br.31/93).
- [5] Zakon o radu ("Službeni glasnik RS", br.70/2001 i 73/2001)
- [6] Zakon o radu ("Službeni glasnik RS", br.24/2005 i 61/2005)

SPEED DIFFUSION OF MODERN TECHNOLOGY

Bukvić Nadžija¹, Kurbegović Sehija²

¹ Ministarstvo rada FBiH, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: ppdivut@bih.net.ba

² Državna bolnica, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: ppdivut@bih.net.ba

Summary: *In parallel with the development of new technologies and intensive consumption of natural resources human civilization realized a vision of permanent economic growth and financial climb. However, material growth, as the paradigm for centuries, and further encourage inordinately and uncontrolled spending of natural resources with unforeseeable and very difficult process of stopping the destruction of natural environment. Global climate change, a great damage to ozone layer, destroying a large number of plant and animal species, discrepancies between the continuous increase in production and processing of smaller features and waste treatment technology. Human civilization is faced with the biggest challenge of seeking ways to ensure continued growth economic with the protection of the environment from pollution and natural resources of attrition. Development of new technologies is directed not only to increase productivity and efficiency, but also the savings of all natural resources with the increasing technological possibilities of an efficient recycling of secondary raw materials, waste water and exhaust gases. Not neglecting the interest and contribution to the science-technical and mathematical sciences, a significant contribution to the study of technological development of the modern economic science in order to enable its operations and effects in the process of economic and social development.*

Keywords: *new technology, development, productivity, investment, natural resources, modern economy.*

1. INTRODUCTION

Managing technological development can be considered from two different positions: the global and local. The global approach is probably hardly feasible, because of globalization, calmness, the violence and the enormous scale of technological development, where each new level, by the rule, begins revolution (industrial, scientific and technical information). Each period of technological development called the division or the era (agricultural, industrial, informational, biotechnological). It reminds us the geological era. The question is: Can we manage the emergence of the era? Apparently not. Will the ice age or age of global warming come again? It depends not only on people. Despite unfavorable anthropogenic impact on the environment man has not yet been able to accurately predict the course of events caused by technological development, and it could hardly affect him. Humanity is, unfortunately, quite conflicting and incompatible. Even minimal efforts - such as, the conclusion of environmental agreements in the 1997th proposed in Kyoto, to reduce emissions, and based on the mitigation of greenhouse gases - will remain unrealizable, because it does not come across sufficient support in developed countries. The richest country of the world, the U.S., fears that additional environmental measures could jeopardize its economic development. From the local point of view, the technological development in a particular company can be managed through the procurement of new equipment or major investments in the sector for research and development. This allows the development of new production technology or modernization of existing ones.

Pronounced interest in studying various aspects of technological development is the result of his importance to modern economic development and social leadership in general. It can be said that, along with the expansion of directions, sizes and shapes effects of modern technological development in particular countries, developed various indicators and methods of measuring levels and dynamics.

2. THE DETERMINATION OF BASIC CONCEPT OF TECHNOLOGICAL DEVELOPMENT

It is natural that for the theoretical and empirical studies, it was necessary to formulate an appropriate tool and a system of indicators and measurement methods of technological development. In the beginning they were the standard technical indicators with the appropriate economic interpretation of that time there was a very developed system of partial indicators, complex methods and models with which it comes to synthetic indicators of technological development at different levels of its activity. The purpose of the defined indicators and measurement methods of technological development is to enable comparison of the attained level and dynamics of the expansion of the effects of applying new technologies in enterprises, industries, and its parts and groups, international scale, and to provide adequate information base for decision making, management of technological change. Recent efforts in industrialized countries, focused on finding indicators and methods of measuring inputs and outputs and IR organized labor, which enriches the previous system of indicators and measurement methods of technological development at various levels where they present their sources and effects of his action [2]. Starting from different theoretical and practical needs of different divisions are possible indicators and methods of measuring the level and dynamics of technological development. One of the widespread, and for the purposes of this paper sufficiently illustrated, is the division in:

- (1) Partial, and
- (2) Synthetic indicators..

Partial indicators are numerous and, depending on the needs, and the available statistical documentation may be decomposed, aggregated and disaggregated at various levels, sectors and units of observation. The most widely used partial indicators are:

- 1. Indicators of the degree and speed of diffusion of new technologies,
- 2. Production and consumption of electricity,
- 3. Chemicals manufacturing processes,
- 4. The intensity of investment in fixed assets and their structure,
- 5. Movement of labor productivity,
- 6. Movement of technical equipment,
- 7. Changes in the structure of industrial production,
- 8. The level of qualifications and qualifications of employees,
- 9. Indicators of intensity of research and development and innovative activities,
- 10. Indicators of Balance of international exchange of technological achievements, etc..

In the literature, especially in empirical studies, there is still a number of partial indicators, however, the most important are listed here, although this order was made on the basis of their individual importance. In fact, as we shall see later, partial indicators usually only complement their carefully selected combination, and can gain complete picture of the technological level of individual companies, industries and groups at the country level and the relevant international comparison.

Synthetic indicators of technological development are not so numerous as partial, and most important among them is the global productivity, or productivity that expresses the collective effect of technological development and innovation in savings and embodied in a live work. Thus speaking, we can conclude that technological development is the process by which it partially can be managed and which leads to the profound consequences of socio-economic nature, but there is a feedback when socio-economic development affects the acceleration or deceleration of technological development. It's just the characteristic for our age in which the only socially-oriented efforts, harmonized with the concept of sustainable development, can contribute to preventing global ecological disaster.

3. MEASURING TECHNOLOGICAL DEVELOPMENT FROM LABOR PRODUCTIVITYS ASPECT

New technology is one of the ways, means that achieves productivity growth and quality, however this should not be isolated factor.

In practice, productivity should be observed taking into consideration the ambiguity of the concept through aspects:

- 1. efficiency (the value of outputs and inputs) - productivity level of efficiency is the ratio of used resources and realized production (lower unit costs and higher profits),
- 2. effectiveness (value of output for customers) - Productivity in the plane as the effectiveness of the overall productivity from the aspect of end-user, consumer products on the market (greater flexibility and a number of different products).

Technological changes are based on intensive innovative activities, and are achieved by vertical and horizontal transfer of technology. Technological changes require assumed investment as backing element, staff training, appropriate structural changes in the economy, etc.. All of these specific measures of preparation, followed by substantial investments in resources, material and immaterial, cause delays in the preparation of technological innovation, which slows down the expected growth in productivity.

Moving to a new technology always requires an additional increase in costs as conditions may even decrease productivity before the record its expected growth. Modern development is characterized by two trends, one is determined by the rapid development of science and technology, and the second refers to the application of the results and achievements of science and technology.

The decline in productivity indicators can be partially attributed to the problem of measuring and monitoring of appropriate indicators of development, but the fact remains that there was a slowing of growth and development in developed countries, which is called productivity paradox. Also must be taken into account considering the nature of investment and slow growth in productivity, which in the modern era requires complementarity between different types of investments. Productivity and quality are considered key success factors of enterprises.

If modern technological development is understood as a constant one, based on science process training material elements of production (resources for work, objects of work and energy) and production methods, organization and production management, and improving existing and creating new products, which leads to expansion of the circle of social needs and their complete satisfaction, then as the main factors determines the pace and directions of his activity in the modern economy can be considered [5]:

- (1) fundamental, applied and developmental research,
- (2) available scientific research staff,
- (3) available resources for funding scientific research and development work,
- (4) the degree of concentration and centralization of production,
- (5) scientific and technological policy of the country, and,
- (6) development of international scientific and technological cooperation.

Apart from these, as relevant factors of technological development, may be considered more general level of economic development of the country, and socio-economic system and economic policies that favores or doesn't favor technological development and many other factors that are still of minor importance.

Claiming that the scientific-technological development seems to improve factors of production through the improvement of tools for work and objects of work and current work by improving its production capabilities, various aspects of work productivity are important and indispensable indicator of technological development. Thus, the overall technological development of individual companies, industries and industry and the economy looks at the global level of observation of productivity [3]:

$$a_1 = \frac{P}{R + S}$$

where:

a_1 = Global productivity,

P = Bruto production,

S = Costs of working capital and fixed assets (capital)

R = Expenses for labor (work).

The average productivity can be expressed as the ratio of productivity of capital intensity, ie.

$$\frac{P}{K} = \frac{P/R}{K/R}$$

where:

K = total costs of capital

R = number of workers

Thus obtained global productivity reflects the technological level, it can be compared with the companies of similar level, industries or other countries. The dynamics of technological development is measured in the rate or rates of productivity growth, so that if the growth rate is higher in an industry or economy relative to another, it is more intensive technological development and vice versa. This means that if A_1 is greater even higher technological level and vice versa. This indicator can be used only if the notion of technological progress assumes all changes in technology, including technology, improving the qualifications of employees, labor

organizations and increased intensity of work. In addition to this indicator reflects the real situation, there must not be major differences in the degree of use of capacity changes in the level of prices, etc. In practice it is very difficult to provide, as it is very difficult in lives and consciousness embodied in the work of a real expression of values that allows comparison with the value of production. The volume of production affected by many factors in different parts and groups acts different intensity, which in turn restricts the use of indicators as a real expression level of technological development. Changes in the technological level of equipment can be specifically determined if the changes previously eliminated components of other technologies, such as increase the number of employees, price changes of use of funds and changes in the use of capacity.

Instead of indicators of global productivity, whose application brings a lot of inaccuracies and difficulties, growth rate and level of labor productivity can be used, and although this measure may include a number of objections. Productivity of orientation gives an idea of the speed, scale and dynamics of technological development because it is the result of development and introduction of new techniques, technological processes and methods, improving the qualifications of employees and other technology components. So, if you compare the growth rate of labor productivity in the industry of our country with the corresponding rates in the developed or less developed countries may accurately determine the approximate level of the technological differences that exist in industries and economies of individual countries.

To review and compare the level and dynamics of technological development as an indicator and the level of growth rate of labor productivity, also can be used in the production of homogenous products in some countries, such as coal, electricity, cement, sugar etc. It can be comparable amount of GDP per employee, i.e., the number of hours needed for production unit GDP. If you need a smaller number of classes for unit GDP production technological level is higher, and when viewed in a certain period of time gets the picture, where and how technological development was faster. Grouping of equipment to the production and functional properties with the participation of each group to determine the overall equipment can be seen technological level and productivity of equipment. There are several possibilities grouping of equipment in industrial statistics.

Comparisons between different groups and subgroups, are often not feasible due to lack of data, so comparisons of equipment production capabilities between companies of the same branch of the proper method. They are determined based on the production, structural characteristics, performance per unit of time, quality products that provide so. Lack of all these methods is that, by the rule, a separate and individual recording and research must be made, because there are no statistics. Difficulties in setting the technical level of equipment are present even when it has the appropriate data for various size enterprises, the degree of specialization in production, etc...

4. INDICATORS OF RATES AND SPEED OF DIFFUSION OF MODERN TECHNOLOGY

Based on the previous knowledge in the area of occurrence of certain technologies it is possible to isolate three basic stages [4]:

- (a) invention,
- (b) innovation and
- (c) diffusion.

Each of these stages has specific characteristics for certain technologies, which indicates the great difficulties if it enters the prediction of the development of new technologies. This is even before, which is not a purely technical dimension of new technology, but about the very complex social influences.

Invention includes the first concept of a new material, machine or process. The invention arises mainly as a result of the needs and state of knowledge in the appropriate field. The invention is a result of the efforts of individuals or groups, depending on the problem that is included in the invention. Thus the steam engine invention of the individual, while the space shuttle and internet invention whole teams of researchers.

While the invention is only the first concept of something new, insofar as the innovation process of the introduction of inventions in the economy. Process innovation takes the risk that is directly related to unknown in a new process or technology. For the realization of innovations, investments should be made in new technology and new people. This means, for this process is necessary to invest considerable funds, while the profit cannot be even spoke of.

The diffusion of innovation is a process of spreading the invention after its first practical application of, or the process by which modern technology or new product is transmitted to a wider circle of users. At this stage, the potential economic value of innovation is turning into a real value.

Spatial diffusion model is used to assist in explaining the complex phenomenon of diffusion of modern technology through the regions. This model, based on the diffusion equation contains three parameters [1]:

- Absorption ability;
- Diffusivity of innovation, and
- Time needed for absorption of innovation.

Many factors affect the diffusion of modern production technology are included in these three parameters. Sensitivity of the model is also analyzed to see how these shape parameters of spatial diffusion mechanism.

The diffusion of modern production technologies is paid a great deal of attention, because the faster the degree of diffusion of these technologies is associated with greater industrial productivity and product quality. It is believed that the modern technologies of production such as design and production by computer (CAD / CAM), computer engineering (CAE), robotics, flexible manufacturing systems (FMS) and computer integrated manufacturing (CIM) the key factor in the revitalization of industry. Therefore, the diffusion of modern production technology is of great importance.

Bretschneider proposed a mathematical model of diffusion of and Bozeman (1986) innovation in the form of simple first order differential equations, whose solution is represented by a curve, "S" shaped:

$$\frac{dF(t)}{dt} = [a + bF(t)][F - F(t)]$$

Here is: $F(t)$ the number of adapters in time t , F the maximum number of adapters, while a and b coefficients of innovation and imitation.

In the descriptive model, the spatial diffusion process is described by the following five constituent elements.

- 1) Source adapter and innovation. From the region that has a higher density urban center of innovation and economic activity within which independent growth that is expanding in other less developed regions. The adapter is a region that has a lower density of innovation and adopt innovations that are under direct or indirect influence in the region with higher density of innovation.
- 2) The mechanism of diffusion through space. Spatial diffusion is understood as the diffusion through the urban hierarchical structure. Many works show that the parameter that causes the hierarchical diffusion of information flow or interaction about innovation.
- 3) diffusivity of innovation. This element controls the degree of diffusion of innovations before they get to the adapter. Diffusivity innovation act as a propagandist and organizer of innovation adoption.
- 4) absorption ability adapter. This element expresses adapters able to adopt innovations.
- 5) Time of adoption of innovations. It is the time for innovation that come to the adapter. Many works related to diffusion show that the time of adoption is one of the most critical parameters in the process of diffusion of innovation.

The purpose of sensitivity analysis examined the influence of each parameter equation models the diffusion of innovation. Testing solutions discussed diffusion equations can be concluded that changes of some parameters leading to the following consequences: Increase opportunities absorption coefficient (α) while all other parameters constant, resulting in a greater number of adapters.

Increase innovation diffusivity (D) while all other parameters constant, resulting in a greater number of adapters. Increase time adaption of innovations (t) while all other parameters constant, resulting in a greater number of adapters.

Results sensitivity analysis leads to the consideration of political implications. In order to speed up the diffusion of production technologies can suggest the following policy options:

1. Selection of growth centers in the region as a source of diffusion. The city, which has high technology can be selected as a source of diffusion of its neighbors - the cities with a series of technology.
2. Improve the absorption ability of the region by improving the control variable in the following areas:
 - a) Training of the existing workforce to adapt to change of productively appropriate production technologies. The objectives of training and development are increasing the number of professional workers, associated with the development of science and technology, increasing employment in the professions with similar technology, training of qualified engineers and scientists for inclusion in the research and development of related technologies;
 - b) training a new workforce to increase the number of technicians engaged in related technologies;
 - c) review the achievements of researchers and / or professors in related technologies.

Improve the diffusivity of innovation by improving control of the following variables:

- Increase funding and effective use of education funds;
- Revise state regulations and taxes to facilitate the modernization of production technologies;
- State financial programs to collect, process and provide information to companies with modern production technology because it can be a valuable source for improvement of the regional technology economy.
- Encourage older manufacturing plants to be the first adapters of new modern production technologies.

Information on new technologies may be provided by information service funded by the state.

The proposed model uses the definition of physical diffusion and successfully explained by using diffusion equations. In this model, diffusion process is considered as moving through the hierarchical structure of

innovation. The model provides a flexible option to describe the spatial diffusion of modern production technology using three parameters in the equation, as can be seen from the sensitivity analysis. Variables that affect the modernization of production technology, are also identified based on these parameters. Some state measures were also observed from the standpoint of the model.

The diffusion of new technical solutions is accompanied by substantial changes in the construction of devices and properties of new products. The first versions of new solutions usually have many shortcomings. The diffusion of the majority of technical innovation is because, typically accompanied by forced, mainly extensive modifications and their functional characteristics. On the other hand, it is very likely that the establishment and removal of defects in the original versions of many technical innovations made possible action feedback, which activates the growth of information on the process of diffusion. In the process of replacement of old technology with new one, it usually suffers from a number of changes. Expansion and conquest of new technologies is closely linked with its development, so understanding these processes is possible only if they study in the unbreakable correlated. For example, it is clear that the expansion of electronic computers various purposes largely enabled changes to their fundamental characteristics, such as during the implementation of basic operations, memory size of computers, peripheral equipment parameters, etc... Nevertheless, many contemporary theoretical works on diffusion of innovation argues that the characteristics of “innovation” don’t change in the process of its expansion and conquest. Such an approach is obviously unrealistic. In reality, changes the characteristics of technological innovation not only affect the speed of diffusion, but also enable new applications, which significantly expand the sphere of diffusion. In turn, the diffusion of new technologies often performs an important and constructive influence on the qualitative characteristics of the innovation. Without knowing the factors that govern the development of technology, our knowledge of the diffusion process will remain incomplete.

4. SCOPE AND STRUCTURE OF INVESTMENT IN FIXED ASSETS

Since capital is relatively scarce factor, the company must be concerned for its rational use in all areas of social life and for measuring its performance in areas that are limited to direct material production.

If the basic production funds parse its two main parts, given the different role in the production process, you get the formula of the average capital ratio, which every part of the compares with realized production. If the mark K_t capital equipment, and the construction part with K_g , the formula for calculating the average capital coefficient will be:

$$k = \frac{K_t}{Y} + \frac{K_g}{Y}$$

When talking about the economic effectiveness of investments, you should emphasize the need for distinguishing general economic, capital and partial companies coefficient, depending on whether it relates to the economy as a whole, or the part or individual companies.

General economic-capital ratio is a summary result of the capital coefficients in some parts.

Capital ratio, in the long term trend shows a decline under the influence of continuous technical progress.

Capital ratio is of a very rational use of economic analysis. Its most important role in the measurement of macroeconomic effects of investment is examining the effectiveness of substitution of capital measurement in general and economic results of technical progress in the economy generally.

Various intensity aspects and the structure of investment in fixed assets provide a global insight into the level of activity and directions of modern technological development of industry and economy of certain countries. The most commonly used volume, intensity (investment per employee) investment structure (branch and technical), and in this connection and capital intensity (the value of fixed assets per employee), the age structure of equipment and its structure according to the degree of automation.

The links between investment in fixed assets and technological development are multiple and immediate. Higher investments allows the introduction of new technology in new or modernized facilities, and greater investment per employee faster means of technical equipment as a precondition of faster technological progress. Finally, capital intensity of investment, i.e. the value of investments and fixed assets per employee is also a sort of indicator of technological progress, because he, among other things, expresses through the exchange of the living machine.

Elements of the structure of investment can also serve as indicators for the assessment of technological development. This especially applies to the technical structure (the ratio of investment in equipment and building facilities and intangible technological investments) and the character of investment (new facilities, reconstruction, modernization and expansion, replacement and maintenance levels of existing capacity). Greater participation of total equipment investment is the way to raise the technological level, and when the prevailing

investment in equipment, is made in equipment with a greater degree of mechanization and automation. In connection with the investment and size of unit capacity of certain product lines as an indicator that can indicate the technological level of production in certain activities (capacity furnace in metallurgy, unit capacity in the production of electricity, cement, metals, various chemicals and food products, etc.).

5. CONCLUSION

Justification of the emphasized interest of many aspects of technological development, is the result of its importance for the development of modern economy and society in general. In step with the expanding directions, sizes and shapes effects of modern technological development in some countries have developed various methods of measuring the level and dynamics of development.

Parsing capital coefficient allows for the economic analysis follows the impact of particular technical progress in improving the quality and effectiveness of equipment, as well as its impact on the overall effectiveness of construction, and therefore to examine the effect of the technical structure of investment to increase production.

Investment decisions derived from the analysis of relations between marginal benefits and costs. Relatively related concept refers to the marginal productivity of labor. It is the ratio of additional output that is obtained by investing additional capital.

Increment is the result of capital investment, hence it is logical that the marginal capital coefficient is the ratio of investment to the growth increment of production, so that it measures the effect of investment and determine how much one unit of investment rules out new units of production. Marginal capital coefficient also shows where the time investment is completely taken to reproduce achieved through an increase of production. The larger unit capacities are generally at a higher technological level and achieve greater productivity by applying higher level of mechanization and automation, and come to the fore economies of scale.

REFERENCES

- [1] Laura Kolomejceva-Jovanović.: *Upravljanje tehnološkim razvojem*, Privredni pregled, Beograd. 2001. YU ISBN : 86-315-0247-2.
- [2] OECD, 1982/1983.
- [3] Stojanović V. : *Tehnološki menadžment*, APEIRON, Banja Luka, 2008. ISBN 978-99938-29-90-4-81-2.
- [4] "Tehničko-tehnoški progres". *Ekonomika enciklopedija*, Savremena Administracija, Beograd, 1984.
- [5] Vrcelj D. i saradnici: *Merenje tehničko-tehnološkog progressa i metodi njegovog prognoziranja*, Institut za ekonomiku industrije, Beograd, 1974.

PLACE AND ROLE OF INSOLVENCY ADMINISTRATOR IN SERBIA

Zoran I. Cvetković¹, Srboljub T. Nikolić², Jelena V. Radomirović³

¹ C&C-consultant, bankruptcy proceedings and consultings, Niš, SERBIA, e-mail: sekretarcc@yahoo.com

² Center for Logistics Training of Serbian Military, Čuprija, SERBIA, e-mail: srboljub.nikolic@yahoo.com

³ Faculty of Economics, Niš, SERBIA, e-mail: radomirovicj@yahoo.com

***Summary:** In this document we will discuss a social role of a receiver in the present and the implementation of the Law on Bankruptcy Procedure. The phenomenon in terms of significant transition and economic crisis is being analyzed and its developmental function in contemporary social change is being explored. In the centre of these analysis are the insolvency administrators who manage the bankruptcy proceedings as a part of the social structure, their role in labor organization and management in very bankruptcy process and all that in the process of implementation of combination of legal regulations which must be well known as an ability which bankrupt administrators have to possess. Identifying the role and the importance of a receiver in terms burdened with many social deformations of globalization and transition in the current social moment in Serbia, in the context of contemporary intersections and alternatives, the attitude of need for strict enforcement of the Law on bankruptcy procedure and national standards for bankruptcy administrators work and a whole range of other legal regulations that are applied with a high level of skills and expertise in decision-making is clearly expressed. Therefore the most important aspect of bankruptcy proceedings-bankruptcy administrator is rightly being considered.*

Key words: Bankruptcy administrator; bankruptcy; making decisions; managing; bankruptcy proceedings.

1. INTRODUCTION

Decision and making decisions as a part of the managing process are seen and used every day, but most commonly at that point their true meaning isn't really seen. The real significance of the decision as part of human activity is explained by the fact that behind every decision stands some human activity, either individually or together, and that decision in management process brings the person who previously managed the process itself. Decision-making is a part of the business in bankruptcy proceedings, which must be performed by the insolvency administrator. Decisions are made continuously, i.e. during the execution of tasks related to the classical management functions such as planning, organizing, managing people, management and control. Decision making is therefore common to all these business functions of management.

Insolvency administrators are people who make decisions on different levels and pass through the process of making decisions. The process or procedure of decision making is very complex and therefore it is necessary to understand it first and then to master it and finally practically use it.

In the process of managing during decision-making the most rational choice of solutions in relation to available alternatives is being applied. But the basic question is, how to choose the most rational choice of solutions, in a situation where the existence of a variety of criteria, legal regulations and interdisciplinary is present. [1]

In the market economy system of bankruptcy is a key and necessary component. For companies that have difficulties in business to be reorganized, if possible, or removed from the market, if the reorganization is impossible, legal structure through an adequate legal framework is necessary. An efficient bankruptcy procedure provides and allows the return of property and economic resources in the economy. The property may be purchased by the new entity that will represent the basic capital for a new company that will hire workers, pay taxes and provide economic growth. Law on Bankruptcy is an important legal framework necessary for a market economy because an effective bankruptcy system reduces the risk in business and encourages foreign investments. An efficient bankruptcy procedure helps that recourses with uneconomic, unproductive and non-profitable business be redirected into areas where they will be effectively used. [2]

With bankruptcy proceedings law assumptions to relocate resources, but at the same time to protect the real rights and obligations of all parties, from the owner of the company to creditors and employees, are being made.

Each of these subjects bears part of the loss caused by the bankruptcy proceedings, and each of them sacrifices part of its interests with the redistribution of property that is not sufficient to fully settle all the claims. The insolvency administrator is the most important participant in the bankruptcy proceedings. The insolvency administrator in bankruptcy takes the property of the company, sells it and distributes the funds obtained by selling the creditors. Management process, mass bankruptcy and its sale is conducted in a manner that will allow the most efficient sales and highest price in the market as soon as possible after starting bankruptcy.

2. INTERDISCIPLINARY OF DECISION-MAKING AND GOVERNANCE IN THE BANKRUPTCY PROCEEDINGS

Decision-making and all following processes represents a complex and complicated activity, and therefore the fact and the problem of decision-making as a very interdisciplinary process is being emphasized, and therefore very hard to study and successfully implement.

It is the large amount of data which in decision-making and managing process bankruptcy administrator has, from whom right information, knowledge and best decisions must be found and made.

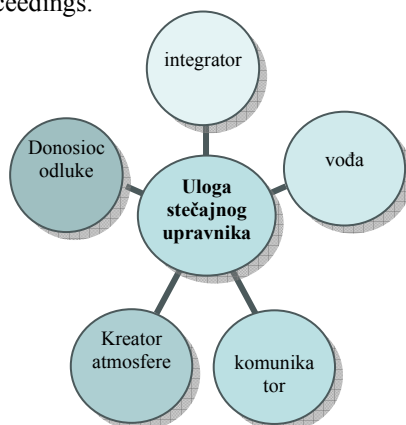
Therefore, the bankruptcy proceedings can be regarded as a complex process management.

If insolvency proceedings are regarded as a complex process of actions and bankruptcy administrators as a special group of people who possess a certain authority in the management of bankruptcy proceedings, it is necessary to give this group more attention and analyze it.

The specific nature of a receiver comparing to the other executors is reflected through:

1. consideration of the role and duties of a receiver,
2. possession of the necessary properties,
3. possession of certain knowledge, abilities and skills,
4. selection of a receiver,
5. training of a bankruptcy administrator.

The insolvency administrator is a person who deals with the management affairs in bankruptcy proceedings in the company which is in bankruptcy. He manages the execution of individual tasks and tasks in accordance with the Law on bankruptcy proceedings.



Generally speaking the basic tasks of a receiver are reduced to performing tasks within the 5 basic process:

1. planning-planning of the goals and tasks which should be reached,
2. organization-defining the organizational structure that will enable achieving the objectives,
3. selection of staff-selection of employees who will implement the goals and objectives,
4. management-management of the execution of planned tasks.
5. control- performance of duties and operations of the entire business system control.

Consideration of the role of the insolvency administrator		
interpersonal roles	IT roles	the role of decision maker
head	adviser	entrepreneur
leader	Information distributor	A person who solves problems
connector	representative	allocator of resources
	stringent executive of the Law	negotiator

2.1. CHARACTERISTICS OF A BANKRUPTCY ADMINISTRATOR

Properties represent the starting qualities which represent the characteristics that one possesses.

Every bankruptcy administrator generally needs to have very good physical and mental characteristics.

Good insolvency administrator should have the following characteristics, and that is: valuable, intelligent, honest, ambitious, energetic, enthusiastic, flexible, imaginative, optimistic, courageous, aggressive, strong and stable person.

2.2. KNOWLEDGE AND SKILLS OF A BANKRUPTCY ADMINISTRATOR

Required knowledge and skills, the insolvency administrator may acquire:

1. regular education-compulsory higher education,
2. additional education and obtained license by examination for obtaining the title "licensed" bankruptcy administrator,
3. practical work.

Generally, the insolvency administrator should possess the following knowledge in the following areas: law, economics, accountancy, technical knowledge, knowledge in the field of social sciences and conceptual knowledge.

Right knowledge allows to bankruptcy administrator performing tasks related to the strict observance of prescribed procedures.

All the knowledge is used for certain phases of the insolvency proceedings.

Conceptual knowledge allow trustee to analyze and consider the organization as a whole, as a separate system consisting of several subsystems and which is connected with the environment. Broadly speaking, the insolvency administrator should have a broad set of knowledge from various fields such as technology, information, organization, management, planning, finance, marketing, psychology, personnel and right.

Knowledge of bankruptcy administrator

From the standpoint of the insolvency proceedings the insolvency administrator should have knowledge of the legal aspects of functionality, systematization and knowledge of the situational analysis.

Basic skills of bankruptcy administrator are management, organization, managing and leadership skills.

BANKRUPTCY ADMINISTRATOR CHOICE is a process in which evaluation of professional and human characteristics is being performed.

Generalized set of requirements within the selection of a receiver is:

1. Requirements regarding to the properties of the diligence, intelligence, honesty, ambition, energy, enthusiasm, flexibility, imagination, optimism, courage, stability, etc.
2. Requirements in terms of knowledge as knowledge of law, economics, accounting, management knowledge, organization knowledge, knowledge of IT, knowledge of finance, marketing knowledge, knowledge of psychology, knowledge of staff, knowledge of rights etc.
3. Requirements regarding the ability of the management skills, organizational skills, leadership abilities, managerial skills, forecasting skills, capacity of initiative, foresight capability, the ability of communication, rhetorical skills, adaptation skills, analytical skills and other abilities of selection [3].

3. BANKRUPTCY ADMINISTRATOR IN DECISION-MAKING AND BANKRUPTCY PROCESS MANAGING

The proposal for initiation of bankruptcy proceeding

Proposal to start a bankruptcy procedure is initiated by a proposal creditor or the debtor's bankruptcy. Creditor may submit the proposal if he makes the existence of his claim probable and if he makes probable the statement that bankruptcy debtor is unable to pay. With the proposal for the initiation of bankruptcy proceedings the creditor submits his documents and other documents from which the existence and amount of his claim can be determined.

With the proposal for the initiation of bankruptcy proceedings the debtor submits a list of bankruptcy assets, regardless of where it is located, a list of bankruptcy and other creditors, stating the amount and basis of claims and the names and residence of members of society who suit their property for the obligations of the debtor's bankruptcy.

Competent Public Attorney in the name of the entities who are represented by the law, and that are creditors, has the right to submit a proposal to initiate bankruptcy proceedings.

The competent public prosecutor can initiate bankruptcy proceedings if he makes it probable that the bankruptcy debtor is unable to pay, and has a reason to suspect that his disability payments are associated with the criminal

act which is prosecuted ex officio. Tax Administration has the right to submit a proposal for the initiation of bankruptcy proceedings in accordance with the law.

Form and content of the proposal for initiation of bankruptcy proceeding

Insolvency proceedings in terms of law of the bankruptcy proceedings, includes bankruptcy or reorganization.

By the bankruptcy settlement the sale of creditors of all the assets of the bankruptcy debtor is understood.

By the reorganization the settlement of creditors, in way and under certain plans of reorganization is understood.

Insolvency

Bankruptcy or insolvency of the debtor's reorganization is carried out over the bankruptcy debtor who is unable to pay. It is believed that the bankruptcy debtor is unable to pay if:

1. can not respond to its obligations within 45 days of maturity obligations;
2. has completely suspend his payments for a period of 30 days;
3. makes it credible that the existing commitments will not be able to meet the maturity - threatening inability to pay.

Presumption of insolvency

If insolvency proceedings are instituted on the proposal to creditors who couldn't settle his claim within legal or tax enforcement proceedings, the previous bankruptcy proceedings will not be conducted, nor will it be proved that debtor is overdue, but will the bankruptcy process immediately be initiated.

Professional responsibility of a receiver

Being nominated by the Council, bankruptcy administrator undertakes the responsibility to do his work conscientiously and in the best possible way. Bankruptcy administrator should not accept jobs which he can not timely or independently perform, due to other already taken responsibilities or insufficient expertise. The insolvency administrator who had been hired earlier in judicial or administrative proceedings (as a lawyer, expert, etc.) where bankruptcy debtor appeared as a party, can not make influence, nor protect the interests or relationships that impair or degrade the value of his professional decision.

The insolvency manager can not be engaged in jobs or professions that may compromise him in conducting the bankruptcy proceedings or that may endanger his personal and professional integrity.

The insolvency manager can not advise or encourage another person to perform any actions related to bankruptcy proceedings that the bankruptcy administrator knows about, or could have known that they were illegal or fraudulent. The insolvency administrator performs his professional duties effectively and timely and can not take any actions which would delay his treatment, unless there are no justifiable reasons for the delay.

The insolvency manager can not falsely represent himself, nor can he represent any fact in the way which can not be reasonably assumed to have a negative impact on other insolvency administrator or the bankruptcy proceedings. The insolvency manager can not falsely represent his skills and qualifications, in order to be nominated for a receiver.

The insolvency manager performs his duties in accordance with the principles relating to:

1. professionally and conscientiously carrying out of the activities in accordance with the law governing insolvency proceedings, this Code and other regulations, national standards for the management of mass bankruptcy and high ethical standards in the implementation of bankruptcy proceedings, with the aim of efficient and equitable collective settlement of creditors;
2. objective treatment in the implementation of bankruptcy proceedings without prejudice, personal interest or biased attitudes;
3. timely fulfillment of legal obligations.

Independence in the work of the insolvency administrator

The insolvency administrator performs his duties independently and professionally. The insolvency administrator must be independent in relation to other persons who could influence his decisions or the result of his work in bankruptcy proceedings.

Before accepting the appointment, the insolvency administrator is obliged to inform the court about the existence of business and financial links with the bankruptcy debtor or other persons associated with bankruptcy debtors that could obstruct, or influence the conducting and decision-making processes of the bankruptcy administrator.

The insolvency manager can not accept the appointment if he or his spouse and relatives by blood in a straight line regardless of the degree or the side line to the fourth degree relatives and in-laws to second degree relatives, have equity participation in the insolvency of the debtor.

The insolvency administrator, and the circle of persons can not acquire the ownership of capital in which the bankruptcy debtor performs duties of a receiver without the written consent of the creditors and the bankruptcy of the Assembly Chamber.

Confidentiality of information which disposes a bankruptcy administrator

The insolvency administrator is obliged to keep as a business secret all confidential information regarding to the bankruptcy proceedings, unless the obligation to provide these data is prescribed by law or approved or by the persons to whom such confidential information is related.

The insolvency administrator may not, during or after the completing of bankruptcy proceedings, use the confidential information which he came to by performing the duties of a receiver in order to gain personal advantage or benefit of a third person. The insolvency manager can not provide information or act in ways which could make one person in the process put in a better position than other persons, particularly in relation to the procedures of the bankruptcy sale of assets of the debtor.

Conflict of the interests

The insolvency administrator is obliged to perform his jobs so that their performance is not subordinated to private interests, or including conflict of interest. Conflict of interest exists when the insolvency administrator has a private interest that affects or may affect the performance of duties of a receiver. If there is a conflict of interest or after the appointment of a bankruptcy administrator determines that such a conflict exists, the insolvency administrator is obliged to make a request for his dismissal. The insolvency manager can not negotiate or receive any kind of benefits or have other benefits for services that he performed as a bankruptcy administrator, except for the awards of costs and fees approved by the court. The insolvency administrator can not, with the aim of ensuring his professional engagement by third parties, pay or offer, directly or indirectly, commission, compensation or other benefit to those persons.

Care and management of property of the bankruptcy debtor

The insolvency administrator creates a complete and comprehensive list of property of the bankruptcy debtor, as he himself, as well as other organs of the bankruptcy proceedings, to have a clearer picture of how large the property of the bankruptcy debtor is and what exactly it is constituted of. As a bankruptcy debtor's assets includes his proprietary rights to third parties, the list of bankrupt's property necessarily includes drafting a list of the bankruptcy debtor's debtors or the recordings of bankruptcy debtor's claims. Property list of the bankruptcy debtor does not have the simple purpose of making records of his property, but, to the possible extent, to express the potential value of the property in case of its cashing in bankruptcy process.

Inventory and assessment serve to the bankruptcy administrator, primarily, for making statements on economic and financial status of the bankruptcy debtor on first trust appointment. Surveying the property of the bankruptcy debtor, bankruptcy administrator determines the fact that provide key information about the real situation, capacities and capabilities of the insolvency of the debtor to creditors, and under which creditors shall decide on the possibilities of implementation of the reorganization of the bankruptcy debtor.

The insolvency administrator at any time should bear in mind that his law establishes the responsibilities established primarily in the interest of preserving the bankruptcy estate and to protect the interests of creditors. The insolvency administrator is obliged to preserve and manage in accordance with the Code and national standards for the management of mass bankruptcy, other regulations and good care of Experts the property that has been entrusted to him. The insolvency administrator is obliged to keep the debtor's bankruptcy assets separately from its property and to hold in a special account funds obtained by selling assets of the bankruptcy debtor. The insolvency administrator is obliged to take all necessary measures to preserve and protect assets or property of the bankruptcy debtor [4].

Disposal of property the bankruptcy debtor

The insolvency manager can not purchase, directly or indirectly, property of the debtor in bankruptcy proceedings in which he was appointed the bankruptcy administrator. In proceedings in which he is appointed a bankruptcy trustee, bankruptcy administrator can buy the property of the bankruptcy debtor if the property is purchased in a legal proceeding conducted by public auction sale of property on equal terms with other potential buyers or during regular business of bankruptcy debtor. The insolvency manager can not, in the process of selling assets of the bankruptcy debtor, directly or indirectly, sell the property:

- 1) to his employees or persons engaged or persons who have other personal and business relationship with the trustee;
- 2) to other insolvency administrators, as well as employees of other bankruptcy administrators;
- 3) to persons associated with the trustee, or other insolvency administrators, and other persons associated with employees of the bankruptcy administrator or other insolvency administrators, when the circumstances are known to him.

Exceptionally, the insolvency administrator may sell assets of the bankruptcy debtor to these persons if previously submitted notice of the sale to the court, the assembly of creditors and the creditors committee, or the largest creditors in the event of lack of assembly of creditors, provided that to the notice wasn't submitted the

timely objection by the creditors and court approval is denied, and that the bankrupt's property to be offered publicly, at the same price and under the same conditions.

Important role of a receiver due to the wide range of powers and the actions undertaken by their nature are as businessmen-manager. Law on Bankruptcy proceedings leaves the traditional role of the body that resolves disputes, and provides judges an objective position of the body that oversees the process to the Court. [5]

Court decides on complaints filed by creditors and resolves disputes related to the actions of a receiver. In general insolvency manager can independently lead the bankruptcy proceedings, but always within the law.

The powers of a receiver are great but his responsibility is also great. The insolvency administrator shall act in accordance with strict deadlines, which provides law. When performing his duties bankruptcy administrator meets all the problems also faced by the manager in the company. Law on Bankruptcy Procedure sets the legal framework and insolvency proceeding itself carries a range of enterprise management problems and issues to be addressed as well. The bankruptcy administrator is required to properly evaluate the situation, make decisions and manage the process. Theoretical knowledge of the bankruptcy administrator in the management of bankruptcy proceedings is crucial for the successful operation but the knowledge gained in practice is still indispensable [6].

"A lot of knowledge does not teach us wisdom" Heraclites, 5-6 century BC

4. CONCLUSION

This paper was intended to achieve several goals. First it pointed out the place and role of decision making and management in the world of real life and business. Then, it highlighted the interdisciplinary problems of real decision-making with a special emphasis on insolvency proceedings, which must be well-known by every bankruptcy administrator. And finally, it gave a comprehensive statement from legal solutions that law on bankruptcy proceedings in the Republic of Serbia determines with special emphasis on the role and duties of a receiver.

REFERENCES

- [1] JČupić Č., Tummala M., Suknović M., (2006): *Decision-making: formal approach*, FON, Belgrade.
- [2] S., Beford, Federal bankruptcy judge in Los Angeles, SAD (2005), Handbook for bankruptcy administrators, USAID.
- [3] Ž. Radosavljević Ž., & Tomić R. Management in modern business, Novi Sad, Chamber academy 2006, pp 445, ISBN 86-84613-47-3.
- [4] Kostadinović S., Račić M., Business Law, Grafožig, Belgrade, 2009.
- [5] Law on Bankruptcy Procedure, Official Gazette of the Republic of Serbia no. 84/04.
- [6] Web site: <http://www.priv.yu/>.

PROTECTION OF COMPETITION LAW WITHIN EUROPEAN UNION

Ružica Cvijanović¹, Jelena Stajković²

MEGATREND University, Faculty of Business Studies, Belgrade, SERBIA,

¹ e-mail: ruzicacvijanovic@yahoo.com, ² e-mail: stajkovic.jelena@yahoo.com

Summary: Basis of competition law have been established after the II World War, when the member states were devastated due to the war, and their economy was depleted. Traditional idea of competition law was accepted in EU law and thus incorporated in Roman agreement on EC Treaty. According to this idea, competition law is expected to provide elimination of barriers for a free trade between member states and to create unitary Europe, and, furthermore, to enable internal market establishment. Basic forms of violating the competition law are the following: various cartel agreements, prohibition of violating the dominant position, merging and taking over the undertakings, giving special or exclusive rights to the undertakings providing service of general economy or public importance. Competition law especially becomes more significant in the period of world or global economy crisis, primarily due to the establishment of state control of big economic systems. Consequently, there is a possibility of conflict of interest, namely, there is state interest for objects to remain profitable, mainly when the state becomes the owner or provider of a significant ownership participation in the subjects, on the one hand. On the other hand, competition law shall be observed both in integral markets of a single state, and in integral market without internal boundaries of EU.

Key words: competition law, European Union, restrictive agreements, dominant position, undertakings, merging and takeover, public undertakings.

1. INTRODUCTION

The policy of protection of competition law since conclusion of EC Treat for coal and steel, up to founding EU, keeps standing for one of the most important aspects of communitarian law. The policy of competition law protection is undertaken in order to establish and preserve unique European market. This policy, with action of basic freedoms (freedom of flow of goods, people, service and capital) enables operating of unique market and eliminates limitations set by the mere participants in the market game.

Competition law provisions are implicated in Rubric VI, chapter 1, articles 81 to 89, EC Treaty. Provisions of the articles are segmented as follows:

1. 'provisions implemented in undertakings': articles 81 to 86, and,
2. 'provisions implemented in subvention states': articles 87 to 89, EC Treaty.

2. CONCEPT AND SIGNIFICANCE OF THE COMPETITION

Competition presents attempts of the individuals to call something in question. As an economy term, competition originates from English theory of the 18th century and American practice of the 19th century, having found its original expression in Sherman law in 1890 [24, pp. 441]. Economic competition is reflected in rivalry when it comes to business contract conclusion.

The success of entrepreneurs-pioneers' infiltrating in the market puts a lot of pressure on other participants to compensate for competitors' advantage, or even get ahead of them. Their effort is based on hope for profit by innovations, on the one hand, and there is a risk of being eliminated in case of passive observance, on the other. Therefore, it is necessary to look back at development of competition rules. Originally, competition stood for perfect or ideal competition, and competition law stood for group of legal and other rules of behaviour for market participants legislated by a state in order to establish a suitable legal environment for making such a

model work [24, pp. 441]. In order to enable this 'ideal' model, it was necessary to prove the following assumptions:

1. existence of a big market with numerous buyers and sellers;
2. existence of sellers selling identical or homogeneous products;
3. consumers who have complete information;
4. consumers capable of maximizing the benefit from chosen purchase.
5. mobility of all production factors.

Such an 'ideal' competition is supposed to provide certain suitability to both manufacturers and consumers. Manufacturers are supposed to expect profit maximizing, whereas consumers expect benefit maximizing, namely the most reasonable resources consumption.

However, practice proved it impossible, because the market itself was not in a position to provide automatically fulfillment of these maximum requirements to all market participants. Thus, the rules that introduced intervention in the market were made, also known as state interventionism. It should be emphasized that the competition process regulation would soon be suppressed if it were not for a state policy with its aim to preserve it. Thereby, one must certainly bear in mind that the preconditions for achieving market competition usually vary. The situation is clear when market approached anytime by new manufacturers (potential competitors) is in question, namely the market open due to low barriers. Already existing manufacturers of goods and services cannot affect limitation of market competition and to, for example, increase their costs because new companies in the market would soon defeat them. Therefore, there is no need for a special policy of market competition regulation in these situations.

However, practice has shown that potential buyers and sellers frequently encounter very big obstacles, both economic and legal ones. In this case, it is necessary to keep the rivalry of the existing market participants. In order to achieve this, it is of utmost necessity for a policy of market competition protection to prevent existing market participants from making agreements confining market competition mechanisms.

Traditional idea of competition law protection has been accepted after the II World War in most of the western European countries, especially in Germany where it was highlighted as a special proof of capitalist economy efficiency [24, pp. 442]. This concept has been incorporated also in Roman agreement of EC Treaty. This type of competition is expected to remove all the barriers in free trade between member states and to create a unitary market and interdependent Europe. It is obvious that competition is not observed as ideal, but working one. Working competition gets a special significance through court practice tending to accomplish internal market guided by the same conditions like in the local market.

Still, there is a critic of a state interventionism because competition rules should provide actual economic efficiency to the subjects conducting business in such an environment. It assumed taking both global and individual interest of the companies into consideration. Therefore, pursuing official policy of competition regulating action of a small part of corporation was highly recommended.

There are three types of scope of competition law, namely: in terms of personal, territorial, and material.

3. FORMS OF VIOLATING COMPETITION LAW

According to provisions of article 81 (1) EC Treaty, restrictive (illegitimate) agreements are the ones among undertakings, decisions of undertakings' merging and concerted practice of the associations that can affect trade between member states and whose aim/consequence is preventing, limitation or violation of competition within joint market.

Provisions of article 81 (1), EC Treaty, specifies activities contrary to what is regarded as competition rules, and this type of activity is called cartel law.

Cartel law, in a broader sense, comprises even the rules regulating prohibition of dominant position in the market. However, a concept of cartel law is narrower in the literature and it implies only the rules about agreements, decisions and concerted practice, regulating exclusively horizontal limitations of competition (limitations between undertakings on the same level), while vertical ones (limitations between undertakings on the different level) stay out of the rules of cartel law [24, pp. 452].

In narrower context, cartel law comprises competition limitations via:

1. agreements,
2. decisions, and
3. concerted practice (concerted settlements).

3.1. Concept of agreement

Determination of concept of agreement between undertakings, as well as determination of what is to be treated as undertaking that is the subject of agreement, is not at all simple. It is so because the concept of undertaking in

article 81 (1) has not been clearly specified by EC Treaty, so there is a question who is in charge for solving this issue – national bodies of member states or communitarian law. There are many disputes about the question, in theory. The conclusion is that general principles of civil or trade law can be implemented only in the absence of communitarian law. Court of justice plays the important role in making communitarian law, creating communitarian law by making the decision in certain cases and accepting the attitudes about the issues.

Based on the afore mentioned, concept of cartel agreement can be determined as legally relevant compliance of will of two or more undertakings, with the aim to prevent, limit and violate trade, thus influencing trade among the member states.

Court of justice and Committee admit also the agreements without legal validity. This refers to so-called gentlemen's agreements.

Gentlemen's agreement is an agreement between undertakings about competition limitation that does not contain legal features of private law agreement [18, pp. 58]. The responsibilities of the participants in these agreements have no legal features and cannot be accomplished by legal remedy. The only way to accomplish them is a so-called 'Boni mores' and business ethics. It means that the sanctions applied are of ethical character. Gentlemen's agreements lack the element of 'legal', so certain authors regard them as only a concerted practice, while the others think that the parties may regard them as a sort of agreement since there was conformity of will achieved. Hitherto practice of communitarian law supports the latter point of view. The example is a decision made by Court of justice about complaint against Committee attitude in 'ACF hemiapharm' case. In this case, the Court's attitude was that there was an agreement according article 81 always when gentlemen's agreement demonstrates the obvious common will of parties regarding their perseverance in the joint market [12, pp. 112].

3.2. Decisions of associations of undertakings

Communitarian law has not explicitly defined either the term of agreements between companies, or the decisions made by associations of undertakings. Court of justice and Committee gave a more precise definition of the terms.

Decisions made by associations of undertakings imply acts of association, submitted in any form, that coordinate activities of their members so that it may be influenced on a trade between member states and prevent, limit or violate the competition [24, pp. 454]. These decisions are usually the acts formally regarded as decisions, but they may also include conclusions, rules, statutes, resolutions or recommendations of trade associations or representative bodies, no matter of their legal obligation.

In accordance with Court of justice point of views in certain cases, being legal obligatory is not significant. The example for that is the case 45/48 *Verband der Sacversicherer v. Commission* (1987) ECP, 405, Court has qualified a recommendation of association as a decision according to article 81, no matter the recommendation was not obligatory. Committee has previously accepted this point of view in the same case [12, pp. 114].

3.3. Concerted practice

Having in mind that not all limitations of competition are prohibited, it is important determining the 'demarcation' between prohibited and permissible limitations of competition law. Concerted practice demarcates forbidden and permissible competition limitations because they are on the interface of permissible limitations [18, pp. 60]. This term is also not precisely defined in communitarian law, so the role of Court of justice and Committee is important. They actually create these institutes.

Famous "Duestuffs case" (*Imperial Chemical Industrier Ltd. V. Commision of the European*) set the foundations. During 1964, 1965. and 1967, all undertakings manufacturing aniline paint in EC member states almost simultaneously raised the costs. There were de facto three rises. Committee classified them as unauthorized and imposed severe sentences on them. Court of justice confirmed the decision [12, pp. 114].

Court of justice defined concerted practice as 'form of cooperation (activity coordination) between undertakings that, no matter there is no concluded agreement, intentionally (willfully and willingly) exchange practice cooperation with competition risks' [18, pp. 60].

Court of justice made a demarcation between concerted practice and cartel agreements emphasizing that concerted practice does not contain all agreement elements, but that it emerges from participants' coordination.

It is very difficult to make a difference between concerted practice and other forms of restrictive action. However, the most difficult is to make a difference between so-called gentlemen's agreements, as well as between forbidden and permissible concerted practice.

Demarcation between concerted practice and agreements of undertakings have got legally binding decisions made by associations of undertakings, while concerted practice has no legal implications. The lack of legal ground is the basic feature of concerted practice. As for concerted practice and other acceptable forms of action, the main difference is the element of subjective or willing [24, pp. 456]. In accepted forms of action, the resemblance is not the result of agreement reached a priori, while with concerted practice, agreed action is a

consequence of willingly directing action towards market. The element of willingness may be expressed in various ways, thus it is not possible to define it in general in practice, but through separate and characteristic action.

Court of justice construes this element in a very broad sense. The intention expressed and concretized a priori is taken into consideration, as well as situations achieved by the action. Thus, it is not enough that the intention merely exists as inner, psychological state, it is also necessary that there is 'materialization' through certain action of undertaking in the market. Concerted practice exists only as expressed or manifested market action.

It means that concerted practice implies will and its expression in the market, but not in a form of decisions or agreements. The basis of the practice should be 'contact of the parties interested', and, mainly, as a form of information exchange.

The best example is 'Teerforben' case. Court of justice defined that concerted practice does not have all the features of agreement. It ensues primarily from coordination of participants' action. However, mere action of the participants does not present concerted practice, but may be an important indicator of it [12, pp. 115].

3.4. Conditions for restrictive action

Not all the decisions of associated undertakings and concerted practice are automatic and restrictive and, thus, forbidden. In accordance with article 81 (1), forbidden decisions imply the following:

1. establishing special relations between undertakings,
2. if the action affects trade between member states, and
3. if the purpose or the consequence is preventing, limitation or violation of competition in joint market [24, pp. 458].

All those agreements are forbidden or invalid, unless they are justified by applying '*rule de reason*' and *de minimis* rule. These terms of action may appear simple, but they are not defined and determined enough by communitarian law, thus Court of justice and Committee have very significant, even creative role.

3.5. Limitations in implementation of article 81, EC Treaty, and consequences of prohibition

Effect of very strict rules in article 81, EC Treaty, may be confined in certain cases. Confined rules may be used in the following cases:

- when applying rule de reason (when reasonable), and
- when action can be tolerated no matter they violate competition law, having in mind that their influence is minimal – rule '*de minimis*'.

4. DOMINANT POSITION

Legal regulation of economic entity action in certain market is of necessity when there are no more conditions for competition functioning, namely when there are economic entities with enough degree of power to disable its functioning. In EU, it is called market dominance. This term is broader than the one of monopoly for it comprises situations of complete mastering of market, as well as situations when there is a presence of more competitors in the market, one or several of them are in a position to affect market conditions by their independent action [18, pp. 13].

As for the above mentioned, provisions of article 81 (ex article 86 of Treaty) are clear and precise: 'It is not in accordance with joint market and every abuse of dominant position in joint market or its integral part, by one or more undertakings, if it would cause damage to trade between member states, is forbidden.'

Article 82 of speech apart from defining the term of abuse of dominant position establishes so-called 'structural change' in the market. It prohibits not establishing, but VIOLATION of dominant position in the market. This article is complementary with article 81 and it is applied concurrently with it. There is no hierarchy between 81 and 82; they can be applied simultaneously. There are no exceptions to article 82 – prohibition of violation of dominant position is absolute. This is about big and complex undertakings with great economic power, violating competition in a way not regulated by article 82:

- undertaking having dominant position in joint market or its integral part;
- it violating its dominant position;
- violating affecting trade between member states.

Concept of market dominance

Development of western economic thought in the 20th century brought about new moments regarding functioning of economic market systems. Until then, there was a balanced bipolar classification of market, as follows:

1. competitive, and

2. monopolistic ones.

However, that classification was rejected as it failed to sufficiently explain functioning of market mechanism.

EC Treaty does not define the term of market dominance, but it is still used in various general and individual acts of EU. Undertaking has a dominant position when it has a significant market share. European Court of justice has determined a dominant position as a position of economic power of undertaking, enabling it to prevent keeping the actual competition in respective market by giving a chance to act independently from its competitors and consumers. In economic sense, dominant position overlaps monopolistic or oligopoly market situations.

However, there are still differences between monopolistic and dominant position. When the undertaking has a dominant position, there is still a competition, but dominant undertaking may decide on or greatly affect competition conditions. Agreements, decisions and concerted practice of undertakings must be inclined to be used as an influence upon trade between member states or inter-communitarian trade. Parameters defining dominant position of undertakings in the market are the following:

- a. element of relevant market
- b. element of market share.

5. MERGING AND TAKEOVER OF UNDERTAKINGS AND VIOLATION OF DOMINANT POSITION

No matter which size are, the undertakings are not in a position to efficiently perform certain complex tasks, whether it is because of insufficient financial resources, staff, scientific and technical knowledge or equipment, or space dislocation. Therefore, they mutually agree upon coordinated approach. Depending on the goals set, intensity and permanence of interrelations, form and ways of mutual approach and business conduct may vary. In communitarian law, these forms are generally known as *concentrations*, and they comprise merging or fusion, acquiring or purchase and joint ventures. Concentrations, in a narrower sense, imply merging of two or more independent undertakings, while the broader sense implies merging of business of two or more undertakings or a change in management by acquisition.

Connecting affects both the inner structure of undertaking and action of these undertakings in the market. Depending on degree of connection, concentration transforms the inner structure of the undertaking, resulting in partial or complete losing of legal and economic stability of ones, and economic growth of the others. Simultaneously, creating conditions for more efficient business of undertakings thus connected, there is a risk of acquisition, and subsequently violation of dominant position. The risk is manifested in various ways, as follows:

- merging or fusion,
- acquisition or purchase, and
- joint ventures.

Importance of concentration is highlighted in *White book* within measures and instruments for creating internal market, as well as in a preamble of Decree on concentrations, stating that the removal of inner boundaries is a result of bigger corporate reorganizing in the Community, especially in the form of concentrations. Reorganization process does not have to result in permanent violation of competition law. Therefore, communitarian law must imply provisions on regulating the concentrations that could prevent effective competition in joint market or its integral part. Concentration should seek for the purpose of control in a willingness of competition authorities to regulate changes in market structure by deciding on whether two or more companies should merge, combine or consolidate their business.

5. POSITION OF PUBLIC UNDERTAKINGS

5.1. Law resources

Provisions of article 86, EC Treaty, and respective acts of secondary legislature regulate position of public undertakings. Apart from this, other provisions of competition law stated in articles 81 to 89 affect the position. Furthermore, there are numerous acts of secondary legislature, mainly communitarian rules and decisions. Only Committee's communitarian rule 80/723 is of general importance, the rule of transparency of financial relations between member states and public undertakings. The valuable resource of law is also the practice of European Court of justice, and First Instance Court, thereafter.

5.2. Features of public undertakings

State may establish or influence on public undertakings to be established under the conditions different from those respective for other undertakings, private ones, in the first place. In EU internal market, equality and loyal

competition must exist, and there is a risk of a state violating that relation by being related to the other undertakings, primarily by putting the public undertakings into privileged position in comparison to other market subjects.

Provisions of the article 86 regulate the limits of state legislative authorities regarding public undertaking position, as well as their responsibility for the business of those undertakings, and, finally, indirect regulation of public undertaking position.

Therefore, the crucial question of determining the position of public undertakings is exactly the question of regulating the states' relations, primarily financial ones, according to their business [24, pp. 513].

In all member states, there are both public undertakings and the undertakings doing business of common interest, and, having in mind that public sector has a significant share in overall economy of member states, resolving this issue is important in both theoretic and practical way.

5.3. Concept of public undertaking in EU law

Roman Treaty, like the subsequent amendments and variations, do not specify either general concept of undertaking or the concept of public undertaking, so the help should be sought for in secondary sources, court practice and legal theory [24, pp. 514]. During determining the general concept of undertaking, Court started with performing commercial or economic activity as a basic criterion of demarcation, in order to include both legal entities and individuals. Thus, the concept of undertaking involves also the individuals performing commercial or economic activity. Likewise, the undertakings founded from non-economic reasons (cultural, sports associations, etc.) shall be deemed undertakings, and competition law shall be applied. It shows that Court opted for broader comprehension of the concept of undertaking that does not have to have commercial activity performance equal to profit gaining. Court defined the term 'undertaking' as 'a company construed by unique organization and combination of personal, immaterial and material elements associated in autonomous legal entity permanently performing a specific economic activity [24, pp. 515]. According to the articles 85 and 86, the undertakings must have legal and economic independency. As for organizational legal form of the undertaking, almost all known forms have been admitted.

After the concept of the undertaking has been determined, the concept of the public undertaking and its special forms has been established.

REFERENCES

- [1] Basedow, J., Ko će štititi konkurenciju u Evropi, *Revija za evropsko pravo*, IV (2002) 1,5.
- [2] Berwin & Co, *Competition and Business Regulation in the Single Market*, London, 1992.
- [3] Crosby, *The single Market and the Rule of Law*, *ELRev.* 16 (1991), 451.
- [4] Damjanović, K., Popović, D., *Primena zabrane zloupotrebe dominantnog položaja na javna preduzeća i preduzeća kojima države daju posebna ili isključiva prava u pravu EU i pravu SCG*, *Pravo i privreda*, časopis za privrednopravnu teoriju i praksu, Beograd, godina XLI
- [5] *EEC Competition Policy in the Single Market Periodical 1/1989*, European Documentation, Luxembourg, 1989.
- [6] Faul & Nikpay, *The EC Law of Competition*, Oxford, 1999.
- [7] Frazer, T., *Competition Policy after 1992. : The Next Step*, *Modern Law Rew.* 53 (1990), 609.
- [8] Goyder, G. D., *EC Competition Law*, Oxford, 1993.
- [9] Grbić V., *Ekonomija Evropske unije*, Beograd, 2005.
- [10] Hanlon, J., *European Community Law*, London, 2000.
- [11] Jankovec, I., *Suzbijanje opasnosti koja zbog dominantnog položaja nekog preduzeća može da nastane za slobodnu utakmicu na tržištu*, u: *Pravni i ekonomski okviri uključivanja jugoslovenskih privrednih subjekata u unutrašnje tržište Evropske unije*, Kragujevac, 1994, 69.
- [12] Kent P., *European union law*, Nutcases, London, 2000.
- [13] Kostić, D., *Međunarodno poslovanje*, Beograd, 2006.
- [14] Kostić, D., Čirić, J., *Energetika, Harmonizacija domaćeg zakonodavstva sa pravom Evropske unije*, Monografija 152, Beograd, 2004.
- [15] Kuile and Hordijk, *The Application of EC Competition Law to Mergers, Acquisitions and Joint Ventures*, in: *Business Law in Europe*, Kluwer Deventer, Boston, Supll. 5, May 1995.
- [16] Lenaerts, K., Van Nuffel, P., and Bray, R., *Constitutional Law of the European Union*, London, 1999.
- [17] Lopandić, D., *Ugovor o Evropskoj uniji*, Beograd, 1999.
- [18] Marković-Bajalović, D., *Uslovi za realizaciju prometa roba i usluga u pravu Evropske unije i jugoslovenskom pravu*, Monografija, Beograd, 2001.
- [19] Owen P., *Essential European community law*, London/ Sidney, 2000.

- [20] Papaconstantinou, H., Free Trade and Competition in the EEC, Law, Policy and Practice, London, New York, 1998.
- [21] Spasić, I., Distributivni sporazumi u pravu konkurencije EU (načela komunitarnog prava i), Strani pravni život, Beograd, 2007.
- [22] Stefanović Z., Pravo Evropske unije, Beograd, 2003.
- [23] Turčinović F., Pravo Evropske unije, Beograd, 2005.
- [24] Vukadinović D. R., Pravo Evropske unije, Banja Luka/ Kragujevac, 2006.
- [25] Waelbroeck, M., and Frignani, A., European Competition Law, (vol IV of the J. Merget Commentary), Ardsley, N.Y., 1999.
- [26] Wish, R. & Sufrin, B., Article 85 and Rule of Reason, YEL 7 (1987)., 1.

INTEGRATION PROCESS AND CHANGES IN ADMINISTRATION OF SERBIAN REPUBLIC

Radenko Čakarević

Faculty for Education of the Executives, Belgrade, SERBIA

Summary: *The author analyzes the plans of Serbian Government in relation to the citizens' expectations for Government's services. Government must find ways to interact with citizens that match their needs better. For effective work of Republican administration it is necessary to create a secure informational and communicational network of Republican Administration bodies which can increase the security level, increase the transparency of the use of network infrastructure. Apart from the internal communication platform which the network has to offer, this network is also the basis for the creation of electronic public services for citizens and businesses and society in general. Electronic public services would make the communication between citizens and legal entities with the government much easier, it would be easier for the citizens and legal entities to reach the information, requests or recommendations to the Government.*

Key words: *Government's web portal, informacione tehnologije, services' design, public involvement, CRM (Clients Relations Management), public access, development strategy.*

1. INTRODUCTION

Public administration reform, or "transformation of Government", has its place on all governments' agendas since the early nineties, but the real progress in changes is happening only today. This is the result of the advanced features and opened technologies that enable the transformation of public administration structures and therefore the construction of new connections between the Government and its business entities and citizens. Most governments believe that, by 2010, the vertical structure of government will be completely abolished the same as the use of public services that are available through such vertical structures. In general, governments have developed a separate IT systems and infrastructure within their different vertical and horizontal functions. Even within individual government departments, it is very likely that there are many different computer systems, each of which is a particularly specified and purchased, bearing in mind the satisfaction of various operational objectives and time limits.

The model of republican administration which exists today is one of those models which has significantly evolved during the last century and which has, without any doubts, reached its peak of knowledge and capabilities postwar industrial society in which existed universal need for minor forms of simple services to legal entities and citizens. Each of these requested certain level of health, educational, social and public services, therefore mass services, which contributed to more adjustment and which were uniformly available, through vertical structures which monitored such services, were produced.

In such a structure and organization of public administration there was no need for different structures to communicate in order to achieve their goals. Each organization had their own rules and procedures, in their defined legal basis, had their working methods and their business processes. The organisation took care of "their" data entry, planning, communication, decisions and therefore taking necessary steps. For a time in which such organization was located, the system has worked quite satisfactory: the general opinion is that it was understandable and equal to all participants in the process.

Programs of successful modernization of the Republican administration generally have several important elements: visible and present leadership from political and administrative part of the Republican Administration; employed in Republican Administration, who are allowed to work independently and therefore make important decisions on their level; integration between agencies and structures, connected with redesign of business

processes inside and between them; mutual work with foreign organizations in the private sector and civil society; initiatives that allow public access and understanding of transformed public services and also successful implementation of information technology based on open technologies (interoperability) which enable the entire process of modernization of public administration.

In all countries, each government is rather in the center of society than on its margins. Republican administration is expected to be authoritative, legitimate and engaged. Engagement in the modernization of government is, therefore, often beyond the achievement of the objectives of efficiency and improving of services delivery as to include objectives of good governance. They also include Isti uključuju openness, transparency, accountability, reducing corruption, promoting consultation and civic engagement, and therefore strengthening democracy.

Integration and changing of process

All government institutions have the need for specialized processes and applications as to carry out their specific responsibilities. However, in past there wasn't almost any integration of specific business systems, neither **horizontally** between different parts of Government, nor **vertically** between frontal and rear services, also as between political areas and delivery services. In order to provide continuous service and achieve greater efficiency, the governments today want to tie or break their excess silo structures. Modernization of government mainly deals with the restructuring of government institutions so that it could perform operations and deliver services in more consistent manner.

Many governments today do not only think more about issues of internal organization, but also look at the problems from the viewpoint of the general flow of information. They argue that if a citizen really should be in the very center of their attention, then the internal structures and processes should be less important than solving the needs of external clients. By integrating their systems and new designing of their business processes, all governments want to hide their internal complexity, and present the information and services in a way that is more relevant to citizens and business customers. Instead of standing a row in different Government offices and filling in different patterns, people are accessing more and more integrated services in a unique access position, such as Web portal, call centre or 'one-stop' place.¹

2. RS-GOVERNMENT DEVELOPMENT STRATEGY, INFORMATION TECHNOLOGY CENTRE VLASE RS, BANJA LUKA, DECEMBER 2008.

Many governments have now established portals, originally launched in order to enable citizens easily find dispersive information. They are now developing in interactive, integrated service delivery channels with services deployed according to specific thematic areas or **life events** such as relocation, marriage, child birth, quit, starting a business, etc. One of the Government goals for implementation of portal is simplifying its relationships with customers. Information is collected only once, which gives people confidence that they will not engage in contacts with many different institutions, and spend their time providing the same information every time you are doing something related to government. New projection of business processes also reduces, even eliminates many procedural steps and transactions that require the direct involvement of customers.

Government collect information on citizens from birth to death, however, only when the organization can respond on the basis of these data, it can really move with the mass produced to provide services that the state should respond to all the 'mass customized' services. It is an assumption behind **clients relation management**, which attracts great interest for the government as a potential tool for the integration and reorganization of services. Several organizations have begun to use CRM to get a better picture of civil and business clients by linking information on their locations, situations, status, family members, etc. This knowledge is then used to improve the design of the portal based on the desires and allow adjustment, or segmentation of clients – more and more present practices in the private sector, which allows companies find 'important' clients or focus on them. Although seemingly inconsistent with the public sector to which is most important to serve all citizens equally, segmentation allows the government to deliver coordinated services to the demands of individual citizens' groups, such as students, patients, parents, pensioners, persons with disabilities, veterans' population, farmers, immigrants and emigrants. People who have the same requirements of the government, they will also have similar desires related to their cooperation with the government, and this indicates that the logic connecting them and their desires.

A new way of thinking suggests that perhaps the government services and institutions are too bureaucratic in their ways of doing business and that it is hard for them to break the traditional structures in a way that is required in order to be able to provide customized services targeted to the client. There is a risk of breaking the organizational borders lead to more problems than trying to solve them, because each institution has its own administrative and legal foundations, practices, skills, business processes, strategies and policies. Due to the fact that integrated service is as efficient as the most efficient institution, few governments believe that it would be maybe better not to interfere silo structure of government, but, instead, to focus their services like 'wholesalers'

of State services with making new units-government's 'retailer'-which would be above the whole structure. Retailer is hands-free in designing and managing deliveries of services and packet offers around whole public sector, on basis of life happenings, user wishes and therefore segmentation of clients. It would head the government's relations with clients, promoting personal services, measuring quality of service, and administration by providing concise information about citizens and entrepreneurs. In addition it is particularly important to the quality of business specific services not to be reduced. Efficient integration and change process - regardless of model - require strong horizontal links and switched access.²

3. e-GOVERNMENT ELECTRONIC GOVERNMENT STRATEGY 2009-2012, INFORMATION TECHNOLOGY CENTRE, BANJA LUKA, DECEMBER 2008.

All governments want their institution to be seen as the solution, not the problem, and most institutions want to cooperate with other institutions because it will contribute to improving the efficiency of their internal administrative operations. With the implementation of integrated channel service, separate institutions are becoming part of a larger context, which is essentially the modernization of government.

Voluntary cooperation and interoperability in the government's strategy throughout the public sector erased borders and encourage the institutions regarding their procedures harmonization in length 'value chain' in order to achieve greater modernization and reduce the number of duplication and inconsistencies.

This new era of cooperation between institutions also improves cooperation program, and accelerating the analysis of political issues, allowing the government to the appropriate way to respond to client requests and new events.

Access to public and awareness

People usually go through a sequence of events when they come in contact with the organization in the domain of public sector: first they make a phone call, then write and then go in person to the office in case their request still is not solved. Increasingly, in the information society, they also seek advice on the Web as their first choice.

An increasing number of competent state bodies believe that when the queries are dealt more efficient during first Web site visiting or a phone call, then even the following phases would not be necessary.

The client and the government would thus save time and money, since it is much cheaper to make transactions via the Internet or telephone, but personally. It is not a rare case that person does not get respond when they phone government offices, or call the person who does not know which the phone number or person they should call, which usually leads to this person being sent from the service to service, and being provided inaccurate and outdated information. Also, while many government Web sites are well designed and easy to use as the best electronic-commercial sites, they are much more complicated to search, and force users to click through multiple pages of foreign information. Also, people can find difficult to find the information they seek on the government portal, or do not know what they're looking for and do not know where they could find any help or advice, and after that, frustrated, they switch off, having their transaction incomplete. As call centers and telephone systems, Web portals and one-stop place become for more and more people the first point of contact with government, an approach to that places is 'moment of truth' for the first user experience, efficiency and quality of government.

To ensure a standard approach to service delivery and resolution of queries, the government wants enable access to people to the same resources, whether they are online, by phone or in offices. In the future, probably until the end of 2012th year, 'call-me "services to government Web sites of individual countries, where one could provide us with employee call centers by phone call or video link, can be provided. Citizen and employee call centers can have the same documents opened on the Web site until the problem resolved.³

4. e-GOVERNMENT ELECTRONIC GOVERNMENT STRATEGY 2009-2012, INFORMATION TECHNOLOGY CENTRE, BANJA LUKA, DECEMBER 2008.

Sometimes will government's client want or need personal contact with civil service employee. Rather than to force people to run around the city and stand in long lines in various offices, the government establishes one-stop places where clients can conduct all their activities related to government in one convenient location. Thus, for example, when someone comes to pay the penalty for parking, the customer would then be able to pay late water bills, renew their registration to vote, he could be notified for being late with pay taxes - all in one place, without the hassle and visit the various counters.

Several pioneers of government also benefits customer segmentation in order to determine the best delivery channels for specific user groups. For example, mobile devices can be good channels of service delivery to

students because their houses are common experimental grounds for the wireless technology due to the mobility of students, professors and researchers. Students are in the scope of wireless networks as they move from home to lectures, and to the amphitheater for lectures and exercises. The **mobile technology**, the government recognized the opportunity for involvement with many other people in their everyday lives, giving them the latest information and services such as news about the traffic, tourist information and lottery results. Some governments and television cooperate with each other to coordinate the delivery of electronic government services through **digital television**, since television will remain the medium that many people seek and use more for a long time. Governments will now begin with the development of explicit strategies to ensure compliance in delivery of government services through multiple channels, stressing that the technology is used to create new ways of access, and also support traditional methods of access. Multiple channels of delivery can expand the scope of delivery of services, however, governments say that it will eventually be necessary to integrate the various channels to provide citizens a choice, and to prevent the restriction of access to online information and services. Implementation of one channel of delivery is therefore improved in order to develop others, and each of them is supported by the same basic technology based on the Web.4Government wants to help the modernization, not to prevent social inclusion, therefore, it involves customers in design and development services in the early stages. The only way you can find out what citizens want is to get out into the streets and ask them - using the methods of testing, surveys, focus groups and civic participation programs. Many political jurisdictions in Europe have different populations of different age and socio-economic status, and different linguistic and ethnic affiliation. Government must often provide services in different languages, and they tend to become accessible to persons with disabilities and older age who, because of the nature of aging, are slowly losing sight, hearing and agility. Governments must also be aware that online services should be delivered in such a way that they don't make new technology users afraid, while experienced Internet users provide shortcuts that lead them directly to information and services they are seeking. Policies and Regulations accessibility and usability are the challenges for design services, but also provide opportunities for the discovery of new and innovative ways of designing the available government.

5. RS GOVERNMENT STRATEGY, IT DEPARTMENT GOVERNMENT OF THE RS, BANJA LUKA, DECEMBER 2008.

Some competent bodies, for example, apply intelligent assistants in online services, and research and development that are in progress will determine the best way to use such technology for the delivery of services. New Designs of dealing, for example, can help in directing people through online transactions, and in facilitating learning for those who are new and unfamiliar with the technology.

*Although the society is changing, it is difficult to say that people must change lifestyle habits, and once to communicate in a whole new way with the government bureaucracy that isn't essentially changed for generations. People are often reluctant to accept the initial personal investment necessary to change the way certain things work, even though they know that they will have long-term benefit. However, once you start using the new technology, often become "dependent" of it. The problem is how make people start using information technology.*⁵

Private enterprises are faced with the same dilemma, even most successful companies continually assess the tastes and desires of its clients, before they place their product on the market. Many state institutions learn from the private sector, and look at their services and the ways they used when publishing on the Company markets a new line of products to unconscious audience and carries a powerful propaganda and public campaign until the product does not reach a critical mass of consumers and achieve brand awareness. Government officials sometimes argue that **marketing** is not a traditional government tool. Institutions traditionally 'inform' the public on procedural changes in stead of 'selling' benefits which brings new offer services. However, when applying for project funding, some institutions were asked how to promote their new service. The most common way is by using existing communication with clients, such as forms for the renewal of various licenses. Information can explain, for example, that the transaction now can be performed via the Internet or call center, as well as the usual postal sending the form. Newspapers, mass media and television advertising campaign that promote certain services or new portal must have positive results, and the government must face charges that such campaigns spend taxpayers' money. It is usually cheaper and more efficient access for institutions to access the market with a targeted audience with similar interests, cooperating with the Chamber of Commerce, trade bodies and professional associations, student volunteer groups, and so on. For them, the message is, of course, equally important as the delivery method. The most successful information campaigns are those that present **valuable offer**, and convince people in the benefits that brings services - for example, is cheaper, faster and simpler. Humor can also help: a European tax body to promote its electronic service uses the slogan: 'We can not entertain you, but you can make it easier'.

6. E-GOVERNMENT ELECTRONIC GOVERNMENT STRATEGY 2009-2012, IT SECTOR, BANJA LUKA, DECEMBER 2008.

Finally, in some cases, incentives are also effective for encouraging customers to accept new ways of doing business with the government. Here the principle is that governments should share the benefits of modernization with its clients.

If the institution is successful in reducing costs and accelerating the process, it will be able to offer reduced rates to those who, for example, pay license fees online, and to guarantee a short period of its issuance. Taxpayers are sometimes given additional time to return the application if submitted electronically, not on paper, or they can promise and refund all taxes by the due date if the application submitted online.

7. CONCLUSION

Most initiatives of the Republican administration bodies is conducted for the final results which must in some way to open multiple benefits to citizens.

It is necessary to achieve goals that will result in having better and faster services to citizens by the Republican administration authorities through increased efficiency of Republican administration, reduce the expenditure of funds by the Republican administration is allocated to projects through the entity's budget, provide easy access to public data (or those that such should be), provide better quality education and learning, and reduce the number of unemployed. Likewise, the implementation strategy will enable the prerequisites for the creation of additional services to citizens that will not create a primary Republican administration, but will use the same third party, such as economic entities, in order to create additional services using services provided by the Government.

To encourage wider political participation, many governments accept electronic democracy, not only in the narrow sense of voting, but in terms of voter registration, public hearings and study public opinion, communication between elected representatives and their electoral bodies, the general approach to technology and development skills in information technologies, and related legislative bodies and engaged in legislative processes. Only the increasing availability of information that is published on the Web is not a guarantee that citizens will access information and use them to request a larger responsibility. Government can not expect people to be experts in many policy areas where they have to deal with, or to understand their legal jargon and terminology. Accordingly, they assert civic participation through a combination of human confrontation intermediary and advanced technologies. Brokers and lawyers may include state institutions and officials, such as the regulator and the ombudsman, as well as NGOs and civil society associations, voluntary organizations, and traditional media. These mediators are in a good position for analyzing and studying the data generated by the governments that belong to the public domain, but they are not present in a format that helps explain the public. Taking a constructive role, brokers can present information to people and give them advice in a way that helps them in decision-making and responding. What citizens want from their elected representatives is that they represent their needs and answers their questions.

REFERENCES

- [1] Development Strategy of the Government of the Republic of Serbian, Banja Luka, December 2008.
- [2] Strategic Plan for Modernization of the Government of the Republic of Serbian Agency Information Society, March 2009.
- [3] Kunić P.: Trends in the Public Administration of the Republic of Serbian, Journal Moderna uprava, Banja Luka, 2009.
- [4] e-Government, e-Government Strategy 2009-2012, the sector of information technology, Banja Luka, December 2008.

MANAGING EMPLOYEES MOTIVATION IN COMPANY IN ORDER TO ACHIEVE GREATER PERFORMANCE

Denana Čolaković¹, Rifet Đogić², Dženan Kulović¹

¹ Business Service Centre of Government of Zenica, BOSNIA AND HERZEGOVINA,
e-mail: govern@bih.net.ba

² University in Zenica, BOSNIA AND HERZEGOVINA, e-mail: rifetd@yahoo.com

¹ Faculty of Economy, University in Zenica, BOSNIA AND HERZEGOVINA,
e-mail: dzenan.kulovic@ef.unze.ba

Summary: Basic question of management and leadership in the company (management process) are people in organization, their behaviour and causes and consequences of that behaviour. For company to survive in present global moment, the manager must recognize latest trends and challenges and prepare answers to the following questions: 1) how to increase productivity and quality, 2) how to coordinate and use cultural and generation differences, 3) how to adjust his management style with the demands of diversity in new global environment, 4) how to lead the organization in conditions of temporality and unpredictability, 5) how to increase loyalty of employees. While seeking answers to these questions it is crucial to know why people in the organization behave in certain way, what runs their activity towards achievement of organizational goals, what could change their behaviour towards achieving greater performance? We will realize answer to these questions through this work that needs to demonstrate that motivation is the most important determinant of organizational behaviour on the individual level and that efficient motivation management may be one of the key factors of success.

Key words: organizational behaviour, employment effects, motivation process, human needs, theories and concepts of motivation.

1. INTRODUCTION

Contemporary company management, globally, faces numerous challenges. The survival of the company is possible if management provides continuous growth and development and that is by itself possible if the adequacy and competitiveness of the company grow [1]. The growth of the adequacy and competitiveness is the consequence of the efficient and effectively business. Effectively business is the Right business (to do the right thing required by the market) and efficient business means to do the right thing in a right way (to do the right thing with the lowest costs). When the company crosses the home-country borders and reaches out the global market it meets bigger challenges as for instance: how to increase productivity, economy and profitability in the unpredictable environment, how to harmonize large cultural and generational differences of the employees and how to motivate them to strive into accomplishment of the organisational goals as well as how to increase the loyalty towards the company. To deal successfully with the mentioned challenges and trends, management should additionally strive to detect what determinates particular behaviour of the employees. Detection of those causes will serve to the managers for the motivation of the employees for the purpose of the bigger organizational and individual goals achievement. So, the motifs animate human activity, direct it into a designated direction and hold there until the goal is accomplished. That is why, in this paper, we are going to deal with the motivation i.e. needs that motivate employees for work.

Besides the detection of the needs that animate human activity, managers and researchers were always interested in the motivation process and how to animate human activity. That is why we will try to explain the mechanism or the process of the motivation. Interpretations in this paper are organized as the presentation of the central contributions to the motivation theory, or to two motivation theories: *substance motivation theory* and *motivation process theory*.

For better understanding of the motivation as very important determination of the employees individual behaviour it is important to answer the following: 1) what are the needs that animate the human activity in the company, 2) what is the correlation between different needs that motivate people/human in the company, 3) how the equality in rewards reflects the motivation, 4) how the expectations effects the employees motivation, 5) how the goal settings effects the employees motivation.

2. CONCEPT OF MOTIVATION AND THE EFFECT

Motivation is the one of the most important topics in management. The reason for it is very simple: companies achieve their goals because the managers and the employees of the same achieve their working effects. The accomplishment of the affectivity of the employees and managers is the result of the three key factors: a) performance capability of the employees, b) performance possibilities of the employees and c) performance willingness or motivation of the employees, as we can see on the figure 1.

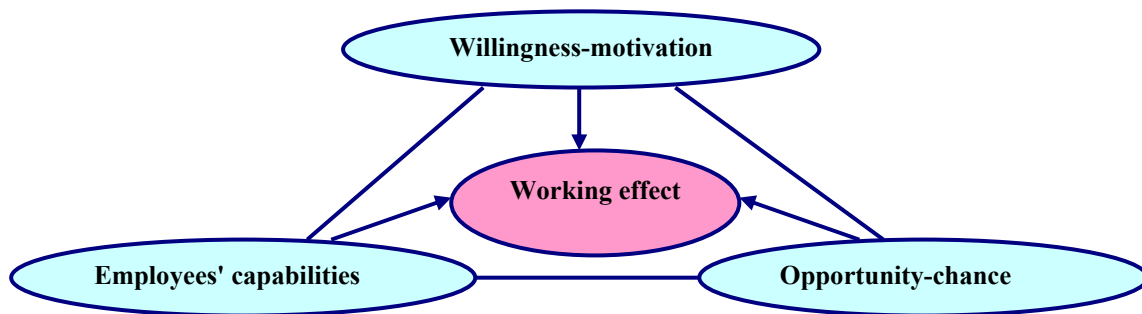


Figure 1: Employees' effect (performances) determinants

The performance of the employees is reached throughout their education and training at work. Opportunity or chance for the performance is given to the employees by the organisational structure of the company. Anyhow, the employee can be competent for the performance, the company can ensure the performance-but all that will mean nothing if the employee is not motivated for the performance (effectiveness).

According to this, motivation of the employees for the effective work is very important and very complicated activity for the manager. With this activity, managers mobilize and stimulate employees to do the given tasks at their working places and to do that in desirable way and that means efficient and effectively so that the goals and plans of the company can be achieved. That kind of animation and stimulation of employees is performed in every organisation in our society-profitable or non-profitable and all the time. Managers of all those organisations are to recruit employees for cooperation, permanently, for engagement in performance with the goal to accomplish scheduled plans. For the cooperation of the employees, for their readiness to completely devote themselves to the work and company goals achievement, is needed more that their engagement and their work in the company. That is why is important for the employees, while they are working on the goals achievement of the company, to work on the achievement of their own (personal) goals, meaning interests. That possibility is given by the *motivation*. It is provided by managers who use different motivational plans and techniques. That is why we say that the motivation is very significant managers' activity.

Motivation is mostly defined as something that managers do to make employees to behave in desirable way, the way that will lead to company goals achievement as well as their personal goals achievement. To motivate employees for work, these goals should be integrated. Accomplishment of the first should always lead to the accomplishment of the second goals. The employees are activated in the company expecting to get something in return. That something is the contentment of any of their needs or accomplishment of any of their benefits. *They are ready to work and to intercede in the company if their own interests will be accomplished. Managers should acknowledge that and give them a chance for it if they want to have their cooperation.*

Motivation can also be defined as the process of the activation, direction and preservation of the human behaviour towards given goal. Essential motivation process is based on three elements: 1) need, 2) stir and, 3) reward.

The need represents the shortage condition or psychological and physiological imbalance. For instance, there is a shortage of water in human body. That absence makes certain tension which is uncomfortable and the one tries to eliminate it. *Stir* is the action that one takes with intention to eliminate the shortage. Finally, *the reward* is the achievement of shortage elimination and tension neutralisation.

Most of the authors see the motivation as the process of the contentment of the employees' individual needs which is composed of six steps: 1) identification of the need (not satisfied need), 2) tension, 3) action, 4) search,

5) need contentment and 6) tension reduction. The first step is the need identification. The need which is not fulfilled makes tension which stimulates the action, which directs human to search in the particular direction to accomplish some certain goal which will satisfied their need and bring them reduced tension. Motivation as the process can be seen in figure 2.

Three dimensions of the motivation are important for the understanding of its effect on working performances of the employees: *direction, intensity and persistence*. To motivate the employee in a right way his motivation should have certain direction. People in company can be motivated but in a wrong direction. The student can be motivated on exam passing but not in the way that will study-he might cheat. The intensity of the motivation determines the dose of the effort that one will make for the satisfaction of his own needs. If the motivation intensity is bigger the employees will make bigger effort to accomplish their goals and their performances will be better. One can be highly motivated but for the short time only while the other can be lowly motivated but for the longer period.

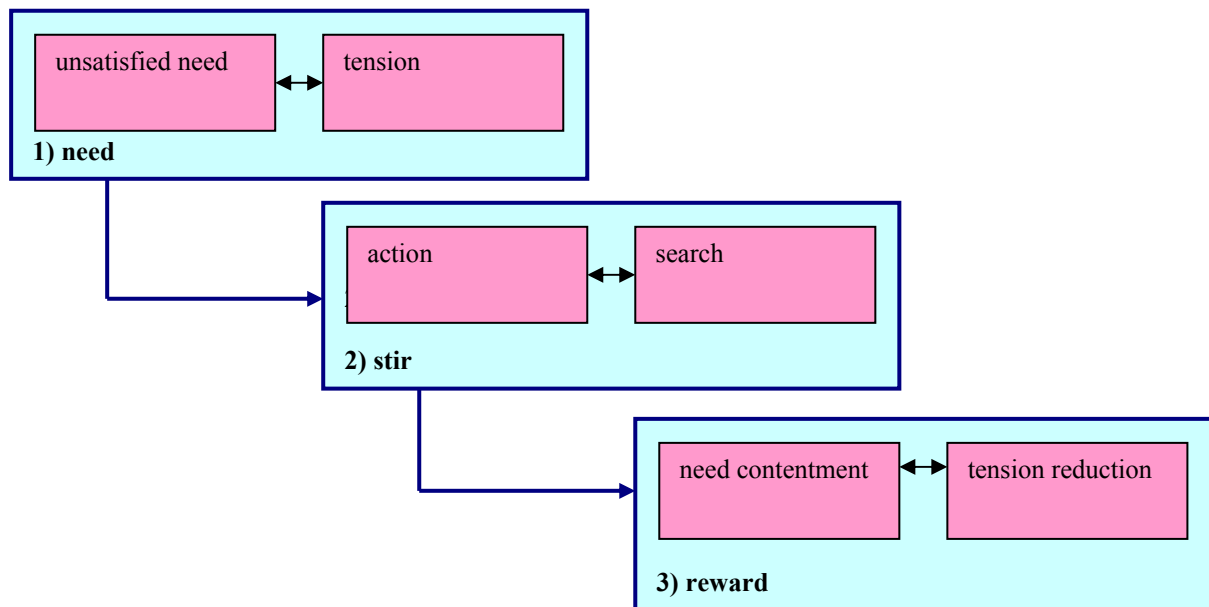


Figure 2: Motivation process

Motivation and the effect are very tight. When we speak about the motivation we also, more or less, speak about the effect, no matter what the effect is-visible or invisible. Although, there is direct connection of those two categories, motivation and the effect are not the same. *Motivation is the will or inner urge (need) of the employees to work to give the effect*. Opposite to it, the effect is what the employees create or accomplish while working. *According to that, the effect is the product of the motivation*. There are also cases of the increased motivation of the employees but the effects remained the same. This is because the effect does not depend only on the willingness of the employees or of their readiness to work efficiently. Effect is conditioned with some other working factors, as: knowledge and education of the employees for the job they do, availability of the needed resources and tools, drive readiness, etc.

3. MOTIVATION FACTORS, MOTIVATION AND PERFORMANCE CONDITIONS

In motivation process of the employees (stimulation in effort increase while executing any given task) the greatest role play leaders. In management theory, the term motivations mean one's group of the inner strengths which reinforce his effort in task execution. To make that effort noticeable it is important to create proper working conditions which are inspirational and satisfied certain needs of the individual who works there. *Highly motivated individuals provide high performances and the company reaches high efficiency what increase the competition role on the market of the products and services*. The creation of the employees' motivation is conditioned by many different factors that vary from one manager to another and from one company to another. *Manager's approach* to the motivation and *suitable ambience* are two necessary factors for motivation development. The third key factor is the communication. However, from the origin aspect i.e. where do the motifs' factors come from, we have classified them as: *a) internal motivation factors* and *b) external motivation factors*.

The internal factors are, so called internal strengths, as: aspiration level, psycho-social characteristics, working habits and identification levels with the company goals. The external factors are: working ambience characteristics, award, safety and respecting system.

It is important, for the management to take the performance evaluation as the *means* for the rewarding and as the *means (base)* for the increase of the motivational process and the needs satisfaction of the individual and the company. To estimate the performance successfully, managers need to list the jobs in the company, following the standard and categorisation. After the jobs are grouped by certain characteristic, the analyses of the same is performed according to the complexity of the jobs, working conditions and responsibility, so that plan standards can be established.

The needs are the most important motivational factor that should be taken into the consideration when we are talking about the work with the company members. Leadership means knowledge about the kind, scope and rate of certain needs of the individual and the group performing in different social interactions.

Manager should know how many needs an individual has what is the intensity of them at the given moment, what is their hierarchy and schedule. This is what determines the motivation concept choice, projection and the flow of the certain needs since that we can not satisfied all the needs at the same time and on the same way.

4. THEORIES AND APPROACHES TO THE EXPLANATION OF THE MOTIVATION PROCESS AS THE GROUNDWORK FOR MOTIVATION MODEL CONCEPT

Numerous theories on motivation are far famed in management literature. They explain what motivates people to work and how that process is conducted. The management and company theoreticians have always been interested in: *why do the people work at all, why do they behave the way they do, why do they want to join the company and to participate in it's life, why do they want to be important and to have more power than the others, why are they obsessed with carrier growth, etc.* Numerous motivation theories resulted into the search for the answers on these questions. Considering the aspect of the time when those theories arose and the attitude towards work and people in the company, we have divided those theories into the: a) traditional (classical) theories or the theories of the content and b) contemporary theories or the theories of the process.

4.1 Traditional (classical) theories or the theories of the content

These theories are based on the classical attitude towards the work and people in the company which explains that the people work to satisfy their needs. Classical approach is based on the belief that the company employees are nothing but the resources which should be included into the working process. It presumes that the employees are qualified for the good working performance and productivity incensement and in return they will receive equivalent wage for their work. Traditional (classical) theories of the motivation tend to answer the question: *what stirs the human activity?* These theories want to reveal needs and motifs which move the people in the companies to behave this or that way. Traditional motivation theories lead to the conclusion that the unsatisfied needs are main motivation that stirs them to action. That is why are called theories of the content and needs.

The classical motivation theories consist of the following theories: 1) Maslow's theory of the needs hierarchy, 2) Alderfer's ERG motivation theory, 3) McClelland's theory of the needs and 4) Hertzberg's two factor theory.

(1) Maslow's theory of the needs hierarchy. Maslow has discovered that the people in companies are stirred by five groups of the needs: physiological needs, safety needs, love needs, respect needs and self-realisation needs (see figure 3.).



Figure 3: Maslow's theory of the needs hierarchy

- *Physiological or basic needs* are the natural needs that every individual has as the biological being (for instance, food and drink needs). Satisfaction of these needs employees in the company fulfil throughout the wage they receive for their work.
- *Safety needs* include physical and emotional safety and protection. So, these needs imply to physical and emotional safety and the safety of the working place as well as the psychological safety from various stresses, frustrations, offences, etc.
- *Love or belonging needs* are his wish to be accepted and loved by the associates or individual, as well as to feel like full member of the staff. That group of needs derives from his character as social being.
- *Respect needs* are inner factors of the respect (as self-respect and autonomy), and external factors (as social status, recognition and interest of the society).
- *Self-realisation need* is the development and promotion, use of the personal potentials, inner fulfilment and self-satisfactory.

(2) **Alderfer's ERG motivation theory** derives from the imperfection of the Maslow's theory of the needs hierarchy. This motivation theory, known as Alderfer's ERG needs model, does not take into the consideration the hierarchy of the needs at all. Alderfer only claims that people in companies are stirred by three kinds of the needs: a) existence needs (E-existence), b) relatedness needs (R-relatedness) and c) growth needs (G-growth). Existence needs match to the Maslow's basic needs, relatedness needs are the same as the love and belonging needs, while the growth needs are the needs of people to grow, to learn new things, improve their abilities and capabilities, do interesting and challenging jobs and to make the results.

Alderfer's ERG motivation theory has some interesting implications for the managers. Namely, this theory clearly points that, although all the people have similar needs, their relative importance for the individuals can be different. That is why it is important to approach to each employed individual as to integral persona and to try to determine which needs are dominant for him. Also, if the individual in the company cannot, because of the organizational structure or any other reason, to satisfy growth needs, it is possible to increase the level of the motivation by the second intonation of the relatedness needs. This motivation theory is by all means less restrictive than needs hierarchy theory and that should be the reason for its popularity. It is closer to the reality and it has bigger practical value than Maslow's theory. It actually derives out of its imperfection.

(3) **McClelland's theory of the needs** is focused on three kinds of the needs: a) need for affiliation, b) need for achievement and c) need for power. Affiliation needs match to the needs identified in other theories. What is new in McClelland theory is the need for power.

Need for achievement represents the human need to achieve the success in what he is doing. The satisfaction which individual feels by successfully accomplished tasks derives exactly from the satisfaction of this need. Within this need, the work by itself can be strong motivation factor. People who have expressed need for achievement will desire to achieve success in their work, not because of the reward that wits for them but for the satisfaction that they will need while reaching the results. Practical implication of the achievement need, for the managers, lies in the fact that the people with the dominating achievement motive are very valuable for any company but also that to their motivation special attention should be given. Employees with this need are always ready to work hard, to work overtime and weekends, even for the small pay if they love the job they do and if the job provides them the achievement. They are very devoted to the job they do and are very productive.

(4) **Hertzberg's two factors theory** says that the motivation of the employees is controlled by two groups of factors: hygienic and motivational [2]. Matter of fact of this theory is the revelation that the satisfaction and dissatisfaction of the people at work are determined by different factors. Presence or the absence of the dissatisfactions are determined by the *hygienically factors*, while the presence or the absence of the satisfaction are determined by *motivation factors* or the *motivators*. Implication is that instead of one scale with two states-satisfaction and dissatisfaction, there are two scales with four states: scale of the dissatisfaction of the employees whose parts are dissatisfaction and absence of dissatisfaction; and scale of satisfaction of the employees whose parts are satisfaction and the absence of the satisfaction. So, according to Hertzberg, if one has high pay (hygienic factor), it does not mean that he is satisfied, it only means that he is not unsatisfied. Opposite to that, if the pay is low, the employee will be unsatisfied and unmotivated. If the job is not challenge (motivator), it does not mean that the employee will not be satisfied. If the job gives opportunity for learning and growth, if it is challenging and dynamic, people will be satisfied.

Hygienic factors for Hertzberg are mostly those which are by Maslow basic and partly needs for belonging. Motivators, by the Hertzberg are those factors which are by Maslow factors that satisfy the respect and self-realisation needs. It means, that hygienic factors are pay, working conditions, business policy, company organization, relations with the boss, etc. while the motivators are the level of the job challenge, possibility to learn new things, promotion, rewards etc. the effect of the motivational and hygienically factors on the satisfaction of the employees, we can see on the figure 4.

Implication of this theory for managers is that through the hygienic factors, employees can be motivated only to a certain level, what means that considering these factors solely, we cannot use entire creative energy and potential of the employees. To use all the potentials of the employees, managers should motivate them by

motivators. In other words, solely consideration of the pay increase, full motivation of the employees cannot be achieved. It is necessary to improve motivational factors.

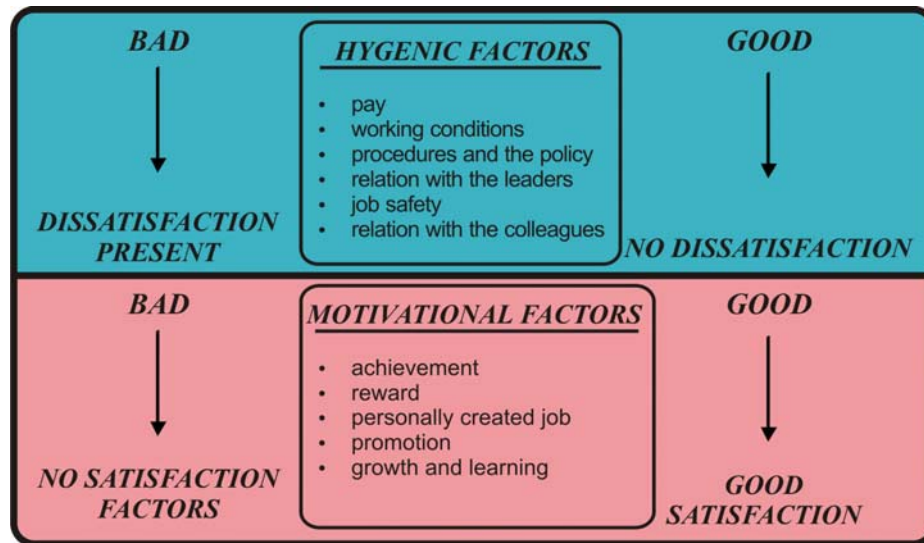


Figure 4: Motivational and hygienic factors effect on the satisfaction of the employees

4.2. Contemporary motivational theories and process theories

Contemporary motivational theories are based on the contemporary approach to the work and people in the company. This approach is based on the belief that the people in the company are the working capital which is the foundation for the different advantage of the company in comparison to the other companies. Contemporary motivational theories arise with the affirmation of the organizational behaviour as the new area in management. They directed the attention of the managers to the fact that people don't come into the company just to receive the money for the job done but that they also have some expectations. In the focus of the contemporary motivation theories is the process conditioned with cognitive and behaviouristic mechanisms which strives the employees to make an effort in their job performance. That is why they are named *process theories*. They deal with the questions *in which way (how) people are stirred to the action?* These theories helped to the managers to understand the behaviour of the people and to create working ambience where the employees will be motivated. The most important contemporary motivation theories are: 1) goals determination theory, 2) equity and fairness theory and 3) expectations theory.

(1) Goals determination theory. This theory explains that in the process of the human activity strive, the most important role play the goals that should be determined and be driven by them [3]. The goal is actually, for the people who go and work, the direction. It abets to the performances and the satisfaction with the work. To fulfil such a mission, it is necessary for the manager to set the goals successfully as well as to provide certain participation of the company members. The goals, in some way, join the efforts of the employees and connect the concept of the manager's activity with the roles of the individuals at the different levels of the company.

The goal which is set motivates the people more than when you say them: „do the best you know“. This request is really undetermined since that most of the time people don't know what and how much „they know the best“. When they have clear goal that they should achieve, they know exactly what is the quantity of the effort given into the realization of the task. The theory was checked in the practice too and it was established that in many situations, setting of the goals for the individual or the group, really increases the level of their motivation for work.

(2) Equity and fairness theory is the equal attitude towards all the company members. It means that the individual, for the same job, expects the same pay as his colleagues in the same or some other company. The worker is not interested only in the amount of the reward which he receives for his work but how the others are rewarded. When the manager does not treat the employees equally, mostly the tension arose, manifested in the way that the individual will change the job or will put less effort in doing the same. That is the signal to the managers to change the working ambience with the intention to provide equity and fair relation. The equity is the base of the long-term relations and the trust between employees. It is the back bone for the efficient motivation and higher economic performances for the organizational culture in each the work is rewarded and valued in accordance with its effects. Equity produces adequate satisfaction and expected behaviour of the individual. Opposite to that, perceived iniquity produces dissatisfaction and causes the behaviour directed to its elimination.

So, according to this theory, motivation of the employees is not effected by the balance of the effort the put in and reward they receive for the same but the comparison of the self efforts and rewards received with efforts and the rewards of the others in the company or out of the company.

(3) **Expectancy theory** is based on assumption that the biggest part of the behaviour of the employees in the companies, the product of their free choice. Motivation process is observed as the cognitive process where the individual, rationally and freely decides (makes the choices) will he or how he will behave depending on his estimation of the effects of that behaviour. , will an individual be motivated or no depends on his estimations about the effort needed in the behaviour, effects of that effort and rewards expected. To understand the concept based on the expectancy theory, three general terms must be defined: expectancy, instrumentality and value measure or the valence [4].

Expectancy is the individual's belief that the curtain behaviour, or the effort put in, will bring to the results of the first layer. Expectancy, as the instrumentality is the particular kind of the possibility perception that the effort will lead to the result. The individual believe that the hard work will result into the desirable performance level (effort= expected performance).

Instrumentality presents the possibility perception that the result of the first layer will lead to the result of the second layer. Namely, when one works, he makes curtain results or outcomes, which we call the results of the first layer. These result or the outcomes of the first layer lead to the outcomes or the results of the second layer. For instance, when the worker in the factory works with the machine, he accomplishes curtain working effect, measured by the number of the produced peaces. That is the first layer result. This result then leads to the rewards as are bonuses for the bigger labour standards. That is the result or the outcome of the second layer. So, the instrumentality is the perception of the worker that his results of the first layer will lead to the results of the second layer i.e. that the labour standard overcome will lead to the bonus.

Valence is the preferring that one has towards curtain kind of the rewards. That is the value that one gives to the reward or the compensation. If the valence of any reward is high and positive that means that one prefer that award more than the other rewards. If the valence of any reward is negative and high it means that one does not prefer the reward or is avoiding the same. If the valence is zero, one is indifferent to the reward. In our example, if the financial bonus for the production worker is desirable, it will have positive high valence for him.

According to this theory, employees motivation is explained as the result of the three described factors: expectance that the effort one puts in the behaviour will lead to the result of the first layer (performances), instrumentality of the result of the first layer i.e. possibility estimation that they will lead to the results of the second layer and the valence i.e. preferring the results of the second layer.

According to the expectance theory, employees' motivation depends on three kinds of the relations:

- *The effort-performances* (the result of the first layer). The worker asks himself: *if I put maximum effort, will it be valued during evaluation of my results?*
- *Performances-rewards* (the result of the second layer). The worker asks himself: *if my work is evaluated as very good will it leads to a curtain reward?*
- *Rewards-personal goals* of the employee. The worker asks himself: *if I will be rewarded, will that reward be that what I am expecting?* (What if I, instead of the promotion, get the higher pay?).

The employee will be motivated if he is able to answer all three questions affirmatively. That means that the motivation of the employee is effected by all three kinds of expectations, at the same time. Simply, to motivate employee, he must first believe that if he works, he would be able to make the results or the outcome that leads him to the reward. Then he must believe that if he makes the result, he will really receive the reward. Finally, he must receive the reward that he personally values [5]. Figure 5 shows us the elements of the expectance theory motivation.

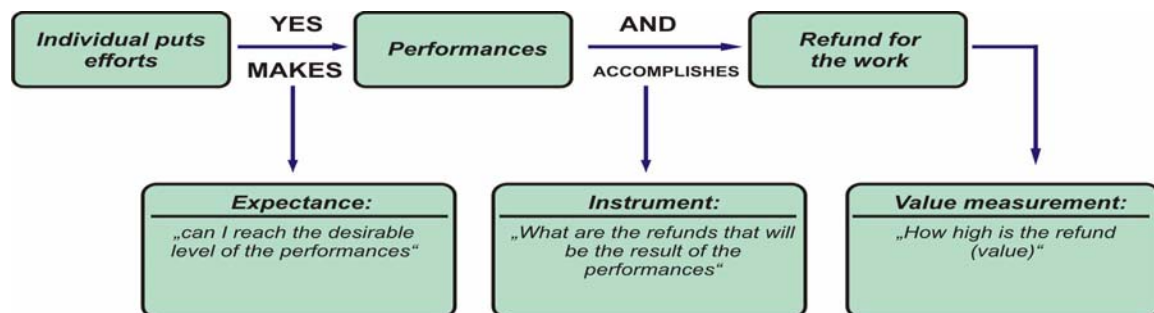


Figure 5: Expectance motivation theory elements

About of all motivation theories, the expectance theory was mostly confirmed in empirical researches. Anyhow, it was rarely taken into the practice.

5. NATIONAL CULTURE AND MOTIVATION

Motivation is the part of the variable of the organizational behaviour which is highly affected by the national culture values. Needs, motifs, desires of the people, mostly depend on their understanding of the world, nature, human and human relations. National culture, highly determines dimensions of the each persona so we can conclude that there are great cultural limits for the implementation of the curtain motivation theories. Numerous researches enabled us the access to the curtain information on national culture effect to the motivation.

- National cultures with the high avoidance of the uncertainty (e.g. German cultures, some Latino-American cultures, Bosnian-Herzegovina culture). They caused strong needs for the safety in the employees' motivation.
- Cultures with so called „male values“ which are also individualistic (Anglo-Saxon cultures), imply high intensity of the achievement needs, growth and self-realization. It is very logical why the goals setting theory and expectance theory are giving the accent to the individual goals achievement and individual satisfaction (employees satisfaction)
- Collectivist or so called „female“ cultures (e.g. our national culture) favour the belonging needs between its members besides all the other needs. The equity theory is more suitable for these cultures.
- In Scandinavian countries (Denmark, Sweden, Norway) as well as in Netherlands and Germany, where the quality of life is highly valued, on the top of the pyramid are the social needs.

These and other causal relations between curtain values of the national culture and particular kinds of the needs, point to the fact: not only that the motivation is culturally conditioned but the motivation theories are culturally limited. Considering the fact, that the all of the important motivation theories derives from the American national culture, particularly from the subculture of the American high class, it is easy to notice that the solely transfer of those theories to the another cultures, very problematic. With the individualistic and male values of the American national culture, we can explain high emphasize of the value on the growth needs, achievements, which don't have to have ground in the collectivist or female cultures. Also, with similar values of the American national culture, we can explain the emphasize of the motivations as the rational process where the employees have the free choice of the behaviour. In collectivist cultures that is academic presumption.

Anyhow, it would be wrong to assume that the national cultures have nothing in common and that the employees in different countries are not connected by any common motivation dimension. E.g. money is very important motivator for all the employees in all cultures, but there is the question, is it on first place in every culture. Further, all employees, no matter which national culture they belong to, is important to do some interesting and fulfilling job. Also, it is in the human nature to love and to be loved. We also need to emphasize that not all of the people wants to be involved in the decision making, they don't want the power and they don't expect to be given the authority.

In the contemporary conditions of the business globalization, emphasized economic migrations and distance employment, throughout the Internet, cultural limits for the motivation theories implementation are getting on the surface. Managers are obliged to know cross-cultural management. Today's managers, with the intention to manage global business successfully, where the employees are from the different national cultures, must know the differences in national cultures and psychological profiles of the people who come from the different cultures. Than, they need to chose the right way how to integrate and involve them into the new cultural ambience.

6. THE MODELS (APPROACHES, CONCEPTS) OF THE MOTIVATION PROCES

Almost every motivation model is constructed on the information given by numerous motivation theories that we have spoken about. So, from the traditional or classical motivation theories derives traditional or classical model (approach, concept) of the motivation and from the contemporary theories, contemporary model derives. Further in this paper, we will give short retrospect to the genesis and growth of the models (concepts, approaches) of the motivation and twill explain the control of the motivation which is based on cotemporary model or concept of motivation.

If we observe growth of motivation as an element part of manager's activity, it can be said that it almost did not existed till the Industrial revolution. Until that period, all behaviour problems, problems with effort put in work by employees, was dealt with threats and different kinds of punishments. Fear of those punishments was powerful manager's means to make workers to work hard for the company's goals accomplishment.

With the industrial revolution, this aspect of motivation has lost its efficiency. That is why it was needed to replace it with another stimulating means, or means adjusted to the new industrial economy conditions. This initiated intensive researches. Those researches brought classical or traditional motivation theories and out of them, arose so called *traditional employees motivation concept*, which had good practical but not theoretical character. Traditional or classical motivation concept was based on the belief that the employees are but resources which should be included into the working process. This concept or model of the motivation has come out as a part of the, for that time, very popular school of scientific researchers (Scientific Management School) whose representative was Frederic Taylor. His central topic was that manager is obliged to: a) find suitable workers for the job, b) train that workers so that they do the job using the most efficient working method and c) impose simulative pay system, which will give chance to the workers to maximize their income, doing exactly what manager asks them to do, and as fastest as they can.

This working and motivation approach, although very rational, was too ilateral. It had all the characteristics of the mechanical treatment of the workers. Workers were perceived as any other machine, which will, as the machine, if necessary working conditions are provided, continuously, without stop and effect oscillation. So, according to the traditional motivation model, workers will do hard work and will accomplish as greater production as possible. Anyhow, this presumption was not confirmed in practice. After initial, spectacular production increase, using this motivation model, *it soon started to reduce itself*. This happened because of few reasons, but mostly because of the workers resistance to some unpopular measures which employers started to use, since the efficiency of the workers, following the specialization and simplicity of work, started to grow. Those measures were: a) revision of the labour standards (increasing it with same pay), b) rewarding system based on the digressive pay growth and c) growth of the dismissals because of the hyper-production and increased workers' efficiency. As the answer to these measures, workers started to limit the production, so that they can keep it on the curtain level, much lower than the, objectively, possible one.

Mistrust to the traditional model of the motivation, conditioned its reconsideration and revision. As the result of those processes, the new models of the production increase and maintenance of stabile labour force has been made. The result of all was the new approach (concept) to the motivation-*human relations approach*. The biggest merit for formulation of this new motivation approach has Elton Mayo, who started to research why the traditional model became inefficient for the workers' motivation. He emphasized that, for the workers' motivation, is very important to take into the consideration *entire personality* at work.

New model or the approach (concept) to the motivation placed the market on the man and his social position in the company. In his opinion, emphasizing the social human component in the company is the best way for motivation of the workers in the same company. According to this model, management should, completely change its attitude towards company's workers if it wants to prepossess and use them in the work. The manager should grow in them the feeling of the importance, benefit of their work for the company, belonging to the company, etc. Than, numerous companies started to open and to democratise their communicational channels. It has been given possibility to the workers, to bring some routine decisions in the field of their work (working task). Since that this model, also did not solve the employees' motivation problem, as it was also defective, it was replaced with new one- *human resources model*.

Human resources model is the step forward in treatment of the human and its motivation, and as the consequence, human behaviour at work. According to this model, employees motivation is complex set of correlated factors, as are *the money, need for belonging, achievement need, need for the importance of job*. Human, in this model, is not treated as universal individual who reacts at the same motifs, but contrary. The starting point is that different people mostly have different goals and motifs at work, as well as different abilities to express them. According to this model, management should strive to find the method for how and in which way to use resources available, how to take maximum out of them, throughout labour force. Management should help to the employees to accomplish some of their own goals within the company. All that is telling us that human resources approach involves bigger employees' participation, in relevant decision making activities, and their bigger autonomy while doing their job.

7. CONCLUSION

For the company, to survive at the current global moment, manager should recognize cotemporary trends and challenges as well as to prepare the answers to the following questions: 1) how to increase productivity and quality, 2) how to harmonize and to use culture and generation differences, 3) how to adjust his managing style with the variety demands in the new global ambience, 4) how to manage the company in conditions of unpredicted and temporary conditions, 5) how to increase employees loyalty. Searching for the answers to these questions, we are getting into the conclusion that the management of the company should pay special attention, to the concept of the motivation, because, highly motivated individuals are making high performances, and company high efficiency whit what it increases its competition role at the market of the products and services.

Result (performance) accomplishment of the employees and managers is the result of the three key factors: a) capability of the employees to accomplish the result (performance), b) employees' chances to accomplish the result and c) willingness or motivations of the employees to accomplish the result.

Most of the authors see the motivation as the process of the employees' individual needs satisfaction which has six steps: 1) recognition of the need (need unsatisfied) , 2) tension, 3) action, 4) search, 5) needs satisfaction and 6) tension reduction. The first step is the recognition of the need. Unsatisfied need makes tension which provokes the action, which directs humans to search in certain direction with intention to accomplish the goal, which will, if is accomplished, satisfied their need and bring them into the state of reduced tension.

Although, there is direct connection between motivation and effect (performances), still these two categories are not the same. Motivation is the desire or inner need and readiness of the employees to work, to give the effect. A contrary, the effect (result/performances) is what employees create or accomplish while doing their jobs. The effect is according to this, the product of motivation.

Since that management theorists were always interested in: why do people work at all, why do they behave the way they do, why do they want to be a part of the company and to participate in its life, why do they want to be important and to have more power than the others, why are they obsessed with carrier growth, et.; searching the answers on these questions, numerous motivation theories arose. Considering the aspect of time when they came out, attitude towards work and people in the companies, all those theories we have divided into: a) traditional (classical) theories or the content theories and b) contemporary theories or the theories of the process. According to these theories, motivation process models (concepts) have been constructed. So, based on the classical motivation theories came out models: 1) traditional model or approach, 2) human relations model or approach, 3) human resources model or approach; and based on the contemporary motivation theory, contemporary integrative model or approach came out.

REFERENCES

- [1] Đogić R. *Osnovi savremenog menadžmenta*, Štamparija Fojnica D.O.O, 1987., pp. 177.
- [2] Herzberg F.: *One More Time: How Do You Motivate Employees?* Harward Business Review, jan-feb, 1968., pp. 69.
- [3] Latham G.P., Locke E.A.: *Goal setting: A motivational technique that works*, Organizational Dynamics, 1979, Vol. 8(2): pp. 68-80
- [4] Ivancevich J.; Konopaske R. & Matteson M.: *Organizational Behavior and Manegement*, Boston: McGraw Hill Irwin, 2005., pp. 223.
- [5] Đogić R.: *Organizovanje kao menadžerska funkcija*, Štamparija Fojnica D.O.O, Sarajevo - Zenica, 2008., pp. 133.

PERSONALITY AND DIMENSIONS OF THE PERSONALITY OF EMPLOYEES IN THE COMPANY AS DETERMINATION OF THE QUALITY MANAGEMENT

Đenana Čolaković¹, Rifet Đogić², Dženan Kulović³

¹ Business Service Centre of Government of Zenica-Doboj Canton, BOSNIA AND HERZEGOVINA,
e-mail: govern@bih.net.ba

^{2,3} University in Zenica, Faculty of Economy, Zenica, BOSNIA AND HERZEGOVINA,
² e-mail: rifetd@yahoo.com, ³ e-mail: dzenan.kulovic@ef.unze.ba

Summary: In understanding the behavior of the employees in the company one should begin with the knowledge of their personality and the dimensions (characteristics) of the personality. People do behave differently in the company, while one part of the differences is caused also by the differences in their personalities. That is why we can say it is very important that the manager knows the personality of the employees in the company in order to correctly project their desired behavior. This paper deals with the major problematic areas of the personality and its dimensions. For the purpose of the better understanding of the personality and its dimension, this paper is treating of following problematic areas: 1) defining the basic dimensions of the personality, 2) some dimensions of the personality of specific importance for the employees behavior management, 3) influence of the national culture to the personality dimensions, 4) the need to adjust the personality and the types of the business a person is doing in the organization, 5) the influence of the biographic personality characteristics to the individual behavior in the organization, 6) the influence of the capability to the individual performance in the company.

Key words: employee behavior, personality, personality dimension, national culture, adjustment of the personality to the type of the business.

1. INTRODUCTION

People do behave differently in the company because they are different persons, therefore the managers must adjust the personality of the worker to the job he is doing. Personality is most often defined as unique combination of the characteristic of the person emerging from the type of the individual behavior and the interactions with the others. The employee personality in the company is formed and expressed through the interaction with other people. The interactions that are established during the person's life are forming his personality, but also, based on the interactions one can estimate the real type of the person. The main factors affecting the personality and its dimensions are the inheritance and the surrounding in which the person is growing and working. Some authors are adding the situation as corrective factor to it. The dimensions or the characteristics of the personality are defined as permanent characteristic describing the personal behavior. If we know the characteristics of the person, then we can certainly predict (and control) the behavior of that person.

The most important classification of the dimensions of the personality has resulted in the model of five big personality dimensions (Big Five Model) according to which all personalities differ from each other: 1) extroversion – introversion, 2) kindness or agreeableness, 3) consciousness, 4) emotional stability, adjustability or neuroticism and 5) openness. Besides the listed ones, there are also other dimensions of the personality that are specifically important for personal behavior in the organizations (the locus of the control, Machiavellism, authority / dogmatism, self esteem, self monitoring and risk prone). Knowing each of them might help to understand the differences between the people in the organizations and the differences in their behavior, but also to affect them.

National culture specifically affects the personality characteristics. Although national culture can not lead to the creation of the new or different type of the personality in one national culture, nor to the appearance of the selected dimensions of the personality in specific national cultures, still national culture can favorite or deprive certain personality characteristic. The differences between the cultures appear in the strength of the certain dimensions meaning that one dimension will be stronger in some cultures.

Although all characteristics of the personality are equal, not all of them are equally welcome at each position in the company meaning that the manager must take care of the adjustment of the employee personal characteristics to the job he is doing. Adjustment of the personal characteristics to the job requirements is not only going to increase the employee productivity but will also increase his job satisfaction. Besides the personality, the individual behavior in the organizations is also affected by his biographic characteristics: *age, work experience, gender, marital status, etc.* These characteristics, in the same way like the personality, are bringing the differences in the behavior of people in the organizations. That is why we should know their implications to the behavior in order to be able to efficiently manage the organization and its employees.

2. DEFINING AND BASIC DIMENSIONS OF THE PERSONALITY

One of the primary factors of individual behavior in the organizations is the personality. People do behave differently at the work simply because they are different persons. Some people get angry easily and get annoyed for small reasons, while other people are peaceful, calm or passive. Some people make decisions easily, are risk prone, are active and initiative while other are indecisive, passive, slow, scared and hate risk. Some people easily communicate with other people, are open and capable to estimate other people, while other people are closed, silent, communicate difficultly with other people. All these differences between the individuals in the organization may be very important for their productivity at the job. Certainly that the management should not put the closed uncommunicative individual at the position of the sale manager, filed sales person or to any other position that requires often communication with people. In the same way, the position of the accountant should be occupied by a peaceful, calm, detailed person who has capability to work with numbers. Thus, it is not only important for us to understand that the behavior of people in the organizations differ due to the fact that they are different persons, but also it must be respected in that sense that we need to adjust as much as possible the individual personality to the type of the job he is doing.

The personality is usually defined as unique combination of the characteristics of the person emerging from the type of the individual behavior and the interaction with other people. [1]. All the definitions of the personality respect the fact that there is the unique profile or combination of the characteristics that separate personality from the others in his surrounding. In addition to that, in all definitions of the personality is stressed that the individual personality is also formed and expressed through the interaction with other people. The interactions that the individual is developing though his life are shaping his personality, but in the same way only based on these interactions one can estimate the type of the personality of the individual.

There was always a question: *what is shaping up the personality?* A very old discussion is related to the issue: *is the individual personality more affected by the inheritance or by the surrounding of the individual?* Thus, it is clear that there are two basic factors of the personality: inheritance and surrounding in which a person is growing and is working. Some authors are adding the situation as corrective factor to it too. Figure 1 illustrates the impact of the factors to the personality.

The inheritance comprises all the impacts to the personality that a man gets by born. These are different physical pre-set characteristics: physical type, gender and sexual orientation, temperament, the level of energy, biorhythm etc. However, among important factors that affect the personality shaping is also listed the genetic inheritance.

Surrounding comprises many factors that affect the personality. If the inheritance only would determine the personality, there would be relatively small differences in the personality types. It is, however, clear that the personality is also affected by the factors from the surrounding in which a person is growing and is developing. First of all, this is a family. It is individually the most important factor shaping the personality. Naturally, children are learning by the behavior of their parents' behavior, despite to the parent's wishes or awareness. So, it happens often that children unconsciously "absorb" numerous characteristics and behaviors of their parents although consciously they resist to that. Besides the primarily family, the personality is affected by the extended family (grandfather, grand mother, uncles, aunts) as well as the friends from the school, from the town, etc.

Furthermore, belonging to the specific social group such as class, social group, profession is a lot shaping the personality of an individual. Finally, belonging to the nation or national culture is affecting the shaping of the certain characteristics of the personality.

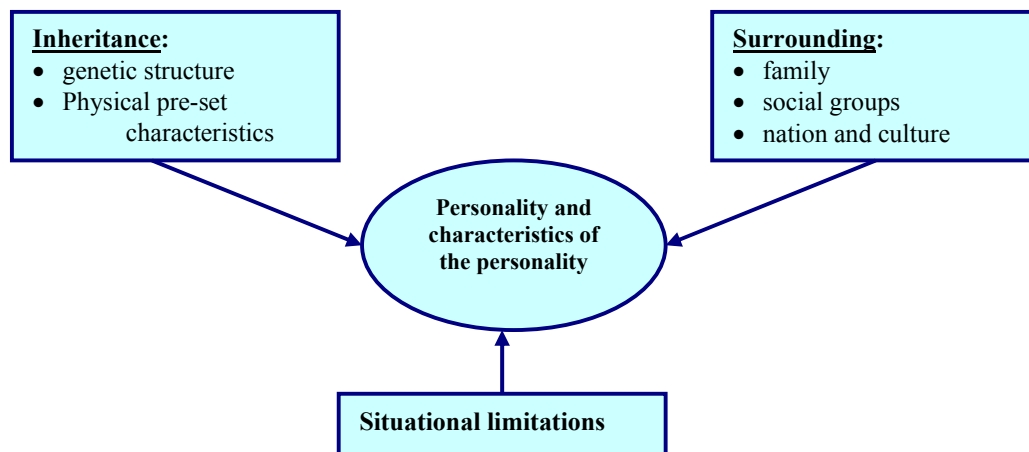


Figure 1: The personality factors

The situation is not a factor of the equal importance as inheritance and surrounding, but one should admit that the situation in which a man is found sometimes can significantly affect his personality. The impact of the situation is rather corrective one. It can rarely create a certain characteristic of the person if a person does not possess it, but may emphasize some hidden characteristic of which person did not know that possesses it. That is why we sometimes get surprised seeing that a person in certain situation behaves in a way that we would not expect it to behave. It does not mean that we did not know the person well, but that a person has never been before in a situation that would require such a behavior.

Majority of the personality researches were directed to the discovery of the characteristics or characters of the personality. *Characteristics of the personality are defined as permanent characteristics describing the personal behavior.* If we know the characteristic of a person, then we can certainly predict (and control) the behavior of the person. Since this is something that was always of the interest of the managers, it is clear why numerous researches were directed to the classification of the personal characteristics.

The most important classification of the characteristics or characters of the personality has resulted in the model of five big dimensions of the personality (Big Five Model). Through the long researches of more than 17000 characteristics or characters of the personality, 5 basic dimensions were identified (see the figure 2.) according to which all personalities are different: 1) extroversion – introversion, 2) kindness or agreeableness, 3) consciousness 4) emotional stability, adjustability or neuroticism and 5) openness [2].

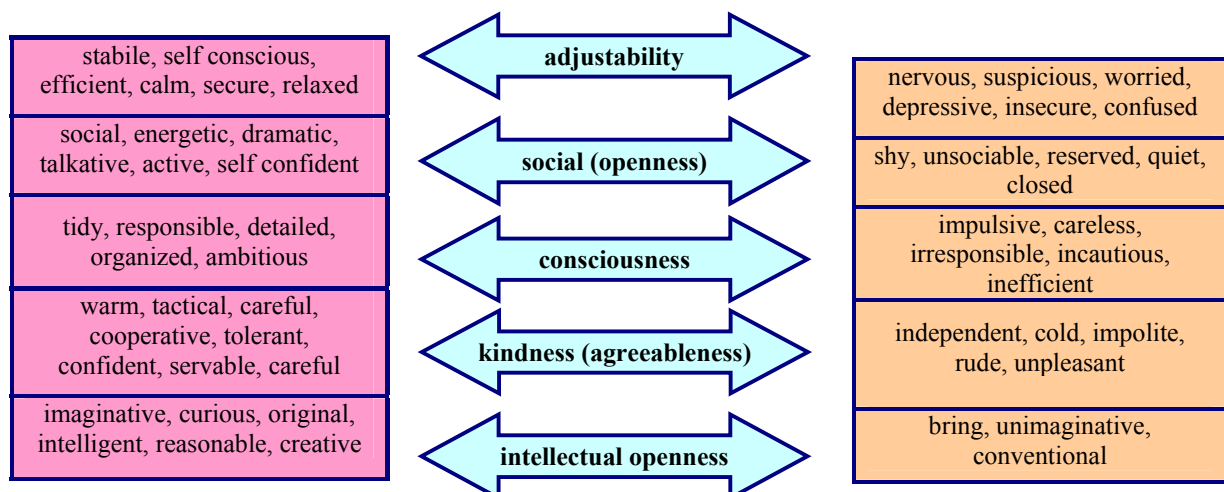


Figure 2: Five big personality dimensions

(1) **Extroversion – introversion** (social or openness) as characteristic of the personality represents the level in which a person is social, i.e. satisfied with the relationship with the others. Extrovert or social or open people are communicative, open and in friendly mood to the others. Introvert, asocial, closed people are less prone to get into the social interactions, less enjoy in establishing the relations with the others. In the organizations would be expected that the extrovert people are more satisfied with the job and with the organization itself and that they easily establish the contact with the colleagues than the introvert individuals. That is why they more suit the jobs requiring high level of communicative characteristics, such as selling, public relations etc.

(2) **Kindness or agreeableness**. This dimension of the personality has 2 extremes, on one side it is cooperativeness, warmth, confidence, while on the other side there is antagonism, coldness, lack of confidence. This characteristic is showing the desire of the person to be in agreement and in the good relations with other people. These are usually people showing high level of the care for others, are confident and friendly and kind. They are excellent as the members of the team and the jobs that require development of the interpersonal relations suit to them. On the other side, negativities are related to the antagonism, lack of confidence, lack of the empathy (desire), unfriendliness and unkindness. Unkind people are usually good choice for doing unpleasant jobs, such as repayment of the loans.

(3) **Consciousness**. This dimension has on one side confidence, confidentiality, and on the other side lack of confidence and lack of confidentiality. It is showing the level of the care of an individual, how much he is careful (precise, conscious) and persistent. These persons have high level of organizational skills, preciseness and are tidy and self disciplined. On the other side, the persons with the low level of the consciousness usually do not have the feeling for the activity direction and self-control. They are impulsive, careless and usually inefficient in the organization.

(4) **Emotional stability, adjustability or neuroticism**. This dimension has on one side emotional stability, security and calmness, and on the other side neurosis, insecurity, and depression. People that are adjusted or emotionally stabile are calm, stabile, relaxed and feel secure. At the job they are usually very efficient. On the other side, persons that have low emotional stability and adjustability and high neuroticism will be nervous, unconfident, insecure and often confused, and it is expected that at the job they will be inefficient. People that have high level of neuroticism are usually most critical about themselves and their results compared to people that have low level of neuroticism. Such criticism of theirs usually brings them into the perfectionism, and they are usually a good choice for the jobs of the quality control requiring critical opinion and evaluation. Usually they have important and incommunicable role in the group and group decision making because they usually take over the role of “devil’s lawyer” criticizing every suggested alternative.

(5) **Openness**. This dimension of the personality on one side has the characteristics such as: creativity, originality, curiousness, opens for the new experiences, imaginativeness, unconventionality and risk prone. On the other side of the dimension are: closeness, conventionality, conservatism, unimaginativeness, hate of risk, etc. This is considered as a good characteristic for the jobs that are subjective to the constant changes, innovations or include significant risk level. Entrepreneurs that are characterized by high level of risk prone usually have high level of this characteristic.

The older and the less accepted classification among the expert is the classification of the personalities types known as Myers – Briggs indicator of personality type and by the short name MBTI (Myers Briggs Type Indicator). This classification of the personality characters was created on the basis of the applied questionnaire containing approximately 100 questions directed towards discovering how people do feel in the certain situations. Based on the answers, only 4 basic dimensions were created to differ personalities. These are (see figure 3.):

1) **Extroversion - Introversion**. Extrovert persons will always be oriented to the outer world, people and object, while introvert persons in their behavior will be oriented towards inner world of ideas and feelings.

2) **Sensation - Intuition**. This dimension of the personality shows in which way a persons collects pieces of information and understands the world around himself. Reasonable person pays attention to the details, is detailed and objective, while intuitive person is trying to immediately gets into the point, to understands the “bigger picture” and relies to its subjectivity.

3) **Thinking - Feeling**. This dimension shows how the person makes decisions and evaluates other people or situations. Thinkers are doing that based on the reason and logic and sensible persons rely to the subjectivism, intuition, emotions in the decision making.

4) **Judging - Perceiving**. This dimension of the personality shows the way a person relates towards outer world. Judger will always be structured and organized, will be trying to solve the situation, while the observer will be more flexible, spontaneous and open for new information. [3].

<u>Extroversion (E)</u> active, open, interactive, speaks then thinks, social	What is your energy focused on?	<u>Introversion (I)</u> Quiet, unsociable, concentrated, thinks then speaks, reflective
<u>Sensation (S)</u> Practical, details, concrete, specific	What are you paying attention to and where do you collect information from?	<u>Intuition (I)</u> general, possibilities, theoretical, abstract
<u>Thinking (T)</u> Analytical, head, rules, justice	How do you evaluate and make decisions?	<u>Feeling (F)</u> Subjective, heart, circumstances, empathy
<u>Judging (J)</u> Structured, time oriented, determination, organized	How do you related towards outer world?	<u>Perceiving (P)</u> Flexible, openness for discussions, exploitation of the possibilities, spontaneous

Figure 3: MBTI dimensions of personality

3. SOME DIMENSIONS OF PERSONALITY OF SPECIAL IMPORTANCE FOR BEHAVIOR OF EMPLOYEES IN THE COMPANY

Besides the listed ones, there are also other dimensions of personality that are of special importance for behavior of people in the organizations. Knowing each of them can help to understand the differences between the people in the organizations and in their behavior, but also to affect them. In the further text we shall deal with the following dimensions of the personality that are of special importance for organizational behavior: 1) locus of control, 2) machiavellism, 3) authority / dogmatism, 4) self esteem, 5) self-monitoring and 6) risk prone.

(1) **Locus of control** is the level to which a man believes that he is capable to control his own destiny [4]. People do differ according to the control feeling over their lives. Some believe that everything that happens is the result of their (non)actions and that they are building their own lives. They have *internal locus* of control because they believe that the control in themselves. On the other side, some people believe that they do not possess control over their lives and that everything that is happening is the result of the actions of the others or the destiny. They have *external locus* of control because they feel that the control over their lives is somewhere outside of them. In the organization, they have external locus of control, have less job satisfaction, more absence from the job, are less dedicated to the job and are more prone to accept the authority and their decisions. Those that have internal locus of control usually have more job satisfaction because they believe that they achieve everything by their own work. That is why mostly they are more dedicated to the work, are less absent from the work and achieve better performances at the complicate jobs such as managerial and all types of experts' jobs.

(2) **Machiavellism**. This dimension of the personality was named by the Italian writer from 16th century Nicola Machiavelli who, in his most important work called "Governor", has developed the theory how to achieve and keep the power in governing the people. The theory emerged from the few simple premises such as: *the goal justifies the tool, it is better that people are afraid of you than to love you, the power is the source of the authority* [5]. Machiavellism as characteristic of the personality shows to which level a person behaves consistently to the *Machiavelli's principles*: pragmatism, arrogance, power, emotional distance, the goal justifies the tool. People with the high machiavellism get more into the political processes, more negotiate and win more, are better in the jobs in which the negotiation exists and the emotions are not important. It implies that these people in the organizations are good at the positions where is necessary to negotiate as for instance selling. However, the danger related to the people with high level of Machiavellism is that if they are not achieving everything as they planned, they will not avoid unethical behavior in order to satisfy their interests.

(3) **Authority / dogmatism**. That is the characteristic of the personality connected to the Machiavellism, but not identical to it. Authority and dogmatism show the level of the personal beliefs rigidity. [6]. Authoritarian persons have difficulties to change their opinions, are very conventional and very much respect the power and authority (both own and of others). Authoritarian persons observe all others from the point of possession of power and authority, meaning that they appreciate people that posses it and treat of very badly people that do not posses it. Dogmatic persons posses all the characteristics like authoritarian persons but to the greater extent. Authoritarian

persons as managers are very prone to the authoritarian leader style, and as the subordinates they respect the authority of the manager but expect from him certainty, clearness and structure.

(4) **Self esteem** is the level to which a man respects and esteems himself and his capabilities. It is linked to the self – efficacy that shows the level to which a person appreciates his own individual capabilities. A person with a high self efficiency highly appreciates his capabilities and is logical to has high self esteem. Persons with high self esteem believe that they are capable to resolve difficult problems and complete difficult tasks. That is why they are more motivated, risk prone, but are also more satisfied with their job. If it is necessary to complete some difficult task in the organization or risky job, people with high self esteem and self efficiency should be chosen. People with less self efficiency and self esteem will show dependence on others and will be less satisfied with their job.

(5) **Self-monitoring** is the level of the awareness of the own characteristics and capability to adjust own behavior to the situation. [7]. Persons that have higher level of self-monitoring are aware of themselves and their surrounding. These persons pay more attention to the behavior of others in the organization. Since they are aware of the happening around them, but at the same time have greater capability to adjust their behavior to the surrounding, it is not surprising that these persons are getting more promoted and change their jobs more often.

(6) **Risk prone** is the level to which an individual can accept the risk. People differ according to the risk prone. In the same situation two men will accept different risk level. In one research there was comparison between the types of the decision making of the two groups of managers: those that are more risk prone and those that are less risk prone. It turned out that the more risk prone managers make decisions faster and on the basis of less pieces of information. It is interesting that the quality of the decisions was the same in both groups of the managers.

There is interesting difference between the characteristic of the personality between the personality of type A and personality of type B. The basic dimension that distinguishes these two types of the personality is the time feeling. Personality of type A constantly feels lack of time for task completion. This person feels that must do more and more in less and less time, is aggressive and nervous. A person of type B feels that always has time for everything and is relaxed [8].

A person of type A	A person of type B
Always in the move, works and eats speedy	Never suffers from the feeling of urgency and impatience
Inpatient and dissatisfied by the speed of other actions around him	Never feels the need to express and discuss his achievements unless must
Is trying to do 2 or 3 things at the same time	Plays for the purpose of pleasure rather than to show his superiority
Does not know what to do at his free time	Can relax without the feeling of guilt
Is obsessed by numbers, measuring his success in the quantitative sense	Never suffers of feeling of urgency and impatience

Figure 4: Type of personality A and B

4. THE IMPACT OF NATIONAL CULTURE TO THE PERSONALITY DIMENSIONS

There were numerous speculations about the implications of the specific national cultures to the characteristics of the personality of individuals belonging to these national cultures. However, a few of these speculations were confirmed by researches. On contrary, it became clear that the *model 5 of the big dimensions of the personalities* is valid in all national cultures and that all types of the personalities appear in all cultures. However, *researches have discovered that the national culture still has specific impact to the characteristics of the personality*. Although national culture can not lead to the appearance of the new or different type of the personality in the national culture, nor to the appearance of the selective types of dimensions of personality, the national culture can still favorite or deprive specific characteristic of the personality. The differences between the cultures appear in the strength of specific dimensions and in the tendencies meaning that some dimension will be stronger in some cultures. Researches have shown so far that Anglo-Saxon cultures (British, American) with lower level of risk avoidance imply more often appearance of the personality of type A rather than personality of type B, as well as proportionally often appearance of the people with high level of risk prone.

It is logical that the cultures with the high power distance (Latin American and Latin-European, Mediterranean

cultures) have more people prone to Machiavellism. Internal locus of control is more often in the individualistic and “male” cultures (Anglo Saxon and Latin European culture) rather than in collectivistic and “female” cultures (Asian cultures, our national culture).

5. THE NEED TO ADJUST PERSONALITY AND TYPE OF THE JOB IN THE COMPANY

From the description of the characteristics and dimensions of the personality, it is clear that people differ very much, but that we can not say that a personality or type of the person is “better” or “worse” than the others. People are simply different. *However, it is not irrelevant what types of the characteristics will have a person in the company*” [9]. According to the theory of Holland, although all characteristic of the people are legitimate ones, it is necessary to adjust these characteristics with the type of the job a man is doing. Although all characteristics of the personality are equal, not all of them are equally welcome at each position in the organization. How about putting an extremely introvert person, with low communication abilities at the position of the salesperson. Or to put at the position of the manager a person with extremely low Machiavellism? *Adjusting the personal characteristics with the job requirements is not only going to increase the productivity of employee but also his job satisfaction*. If you are forcing a person to do the job that requires personality completely opposite of his personality, he will feel dissatisfied and frustrated no matter how attractive the job might seem to someone else. According to this concept, there are 6 main types of personality with their characteristic that have their suitable professions, as described in the figure 5. [10].

Type of personality	Personal characteristics	Suitable professions
Realistic: prefers physical activities requiring strength, skills and coordination	stable, persistent, shy, practical	<i>Line worker, farmer, mechanic</i>
Researcher: prefers activities requiring thinking, understanding and research	analytical, original, curious, independent	<i>economist, journalist, mathematician</i>
Social: prefers activities of assistance and development of the others	Friendly oriented, social, emphatic	<i>social worker, teacher</i>
Conventional: prefers order, rules, clear activities	Efficient, practical, inflexible	<i>accountant, manager, window worker</i>
Entrepreneurial: prefers verbal activities in which he can convince the others and gain the power	Self confident, ambitious, dominant	<i>Lawyer, entrepreneur, real estate sales person</i>
Artistic: prefers unclear, nonsystematic activities and creativity	imaginative, emotional, unpractical	<i>Painter, musician, writer, decorator</i>

Figure 5: Types of the personality and suitable professions

6. THE IMPACT OF THE BIOGRAPHIC CHARACTERISTICS OF THE PERSONALITY TO THE BEHAVIOR OF EMPLOYEES IN THE COMPANY

Besides the personality, the behavior of the individuals in the organizations is affected by his biographic characteristics: *age, working experience, gender, marital status, etc.* These characteristics, as well as personality, bring in the differences into the behavior of the people in the organizations. That is why we need to know their implications to the behavior in order to be able to efficiently manage the organization and its employees.

Age. The age of the employee obviously has certain consequences to his behavior. First of all, the age affects the ability of the employees and in that way also his working performances. However, the age also brings the experience that also affects the working performances. Thus it is not fully clear what is the relation between the age and productivity of the employees. On one side, it is clear that by the years the productivity goes down because the abilities get decreased, both physical and intellectual ones. By age, the strength gets decreased, as well as the speed, coordination of the moves, concentration, etc. However, on the other side, by age the person is getting experience and is capable to do some routine jobs in more efficient way than the younger person. The age also results in the diminished probability to leave the company. Older people less leave the company for numerous of reasons: have better positions in the company, they got used to the job and colleagues, have less chances to find the new job and are less flexible to adjust to the new job. On the other side, the age affects the job satisfaction but the nature of that impact is insecure. According to the majority of the researchers, the age and job satisfaction have the relation of the type “U” meaning that the people are very satisfied by their job at the beginning of their carrier when they still learn, develop and improve, then the job satisfaction decreases in the middle age when a person gets the peak in his job, and then latter on the job satisfaction increases as they approach to their pension. The age also affects the absence from the work in that way that by the age the justified absence from the work increases but the unjustified absence from the work decreases.

Working experience. Working experience is the time that somebody spent at the specific job in the specific organization. The researches clearly show that the more a person spent at one working place, the more chances are that he will be more productive, that he will be more satisfied by the job, that he will be less absent from the work and that is less chance he would leave the job.

Gender. There are many stereotype conclusions about the differences between the man and woman at the work. However, researches have confirmed only small part of these differences. First of all, the gender does not affect the performances and productivity at the job. Many researches did not show the systematic difference in productivity of man and woman when they were doing the same job. It was discovered that women are more prone to respect the authority of a man, but also that men are more aggressive and put greater expectations from women. It is completely understandable that women are more absent from the work taking into consideration their role in the family. However, the researches did not confirm the assumptions that women more abandon the work. i.e. their fluctuation is greater than in the case of men.

Marital status. It is interesting that marital status is influencing the behavior of the employees in the companies. Namely, it was discovered that the married people are more satisfied by the job than the single ones. The explanation is that the marital status positively affects the satisfaction with the overall life that is then affecting the job satisfaction too. It could be also that there is reversed causal relation: those that are more satisfied with the job easily find their marital partner. Since the marital status imposes more obligations (especially in the case of the children) it is clear why the married people are less absent from the work and less leave the company than the single ones.

7. THE IMPACT OF THE CAPABILITIES TO THE PERFORMANCE OF THE EMPLOYEES IN THE COMPANY

The capability can be defined as mental or physical capacity of the person to complete a task or a job. The capabilities of the people are extremely important for the understanding of behavior in the company, because they affect the individual performances and the performances of the company too. Capabilities can be selected into the two basic groups: intellectual and physical ones.

Intellectual capabilities are general intelligence and include following capabilities: verbal, numeric, capability of reasoning, capability of deduction, capability of identifying the relations, capability of memorizing, capability of managing in the space and perception capability (see the figure 6.).

Physical capabilities include two groups of the capabilities: 1) motility capabilities and 2) physical capabilities. Motility capabilities represent the capability to physically manipulate with the things in the surrounding and it includes the following: reactions, speed of the arms movement, etc. Physical capabilities refer to the individual physical experience and strength such as: static strength –capability to raise specific weight.

Type of the capability	description	Suitable jobs in the organization
numeric capability	Capability to solve arithmetic problems and usage of the numbers	accountant: account of the expenses
verbal capability	Capability of understanding of what was read or heard as well as usage of the written and verbal language	Manager of the department: understanding of corporative policy and provision of the explanation to the employees
Capability of perception	Capability to speedy and correctly identify the similarities and the differences in the noted	Controller of the fire security: speedy identifying the fire danger
Capability of reasoning	Capability to identify the logic of the problem and find the solutions for them	Market researcher: prediction of the needs
Capability of deduction	Capability to get proper conclusions based on the facts and to determine the implications of the conclusions	supervisor: to evaluate the proposals of the employees and to select the best one
Capability of memorizing	Capability to preserve and “call on” previous experiences	Sales person: to memorize the names of the buyers
Capability of managing in the space	Capability to determine / imagine how the object looks like if its position in the space is changed	Office decorator: Redecoration of the office

Figure 6: Intellectual capabilities

8. CONCLUSION

At the end we can conclude that knowing the personalities and their dimensions (characteristics) of all employees in the company is very important instrument used by the managers in projecting the desired behavior. Through the paper we have seen that the employees in the company behave differently, while one part of these differences is caused also by the differences in their personalities. The personality is most often defined as unique combination of the characteristics of the person emerging from the type of the individual behavior and interactions with the other. The personality of the employees in the company is formed and expressed through the interaction with the other people. The interactions that a person develops through the life are shaping his personality but also, based on these interactions one can see what is the real personality of an individual. The main factors affecting the personality and its dimensions are inheritance and surrounding in which a person is growing and is working.

The dimensions or characteristics of the personality are defined as permanent characteristics describing the behavior of the person. If we know the characteristics of a person, then we can certainly predict (and control) the behavior of the person in question. There are numerous classifications of the characteristics of the personality. The most important classification of the dimensions of the personality resulted in the model of five big personality dimensions (Big Five Model) according to which all personalities differ: 1) extroversion – introversion, 2) kindness or agreeableness, 3) consciousness, 4) emotional stability, adjustability or neurosciences and 5) openness. Besides the listed ones, there are also other dimensions of the personality that are especially important for people's behavior in the organizations (locus of control, Machiavellism, authority / dogmatism, self esteem, self monitoring and risk prone). Knowing each of them may help to understand the differences among the people in the organizations and their behavior, but also to affect them.

This paper also proved that the national culture has specific impact to the characteristics of the personality. Although national culture can not lead to the appearance of the new or different personality type in some national culture, nor to the appearance of the selective dimensions of the personality in specific national cultures, the national culture can still favorite or deprive certain characteristics of the personality. The differences in the cultures appear in the strength of some dimensions and in the tendencies meaning that some dimension will be stronger in some cultures than in the others.

The manager in the company must take care of the adjustment of the personality characteristics of the employees with the job he is doing. Adjusting personal characteristics with the job requirements is not only going to increase the productivity of the employee but will increase his job satisfaction. Besides the personality, the behavior of the individuals in the organizations is also affected by his biographic characteristics: age, working experience, gender, marital status, etc. These characteristics, as well as personality, bring in the differences in behavior of people in the organizations. Therefore we also need to know their implications to the behavior in order to be able to efficiently manage the organization and its employees.

REFERENCES

- [1] Schermerhorn, J.; Hunt, J. & Osborn, R.: *Organizational Behavior*, New York: John Wiley&Sons, 2005.pp. 320
- [2] For more to see in: Zimanji, V. & Štangel C.G.: *Organizational behavior*, Faculty of Economy Subotica, 2005.
- [3] Luthans, F.: *Organizational Behavior*, Boston: McGraw Hill., 2005, pp.111.
- [4] Schermerhorn, J.; Hunt, J. & Osborn, R.: *Organizational Behavior*, New York: John Wiley & Sons, 2005. pp.170
- [5] Schermerhorn, J.; Hunt, J. & Osborn, R.: *Quoted part* under [4], pp.170
- [6] Ivancevich, J.; Konopaske, R. & Matteson, M.: *Organizational Behavior and Management*, Boston: McGraw Hill Irwin, 2005, pp. 501
- [7] Ivancevich, J.; Konopaske, R. & Matteson, M.: *Quoted part* under [6], pp. 505.
- [8] Ivancevich, J.; Konopaske, R. & Matteson, M.: *Quoted part* under [6], pp. 507.
- [9] Đogić, R.: *The basis of the modern management*, «Štamparija Fojnica» D.O.O, 2007., pp 368.
- [10] Đogić R.: *Organizing as managerial function*, «Štamparija Fojnica» D.O.O, 2008., pp. 399.

HARMONIZATION OF LAW IN THE PROCESS OF GLOBALIZATION

Dušan Dabović

Ministry of Agriculture, Forestry and Water Management, Department for Plant Protection, Belgrade, SERBIA

***Summary:** Integrative changes in the contemporary world which are defined as the globalization process, in the judicial field are recognized in progressive law harmonization at the global level. The law harmonization in the globalization process is made mostly by the law transposing method (reception) in different scale. However, a law transposing means just the first phase of the law harmonization whilst an implementation of transposed law makes the second phase. Theoretically, the implementation of transposed law can be divided into primary and secondary implementation whereby the primary implementation refers to the use by citizens and the secondary refers to the use by state institutions. In order to make transposed law effective or applied, respectively it is necessary that in the recipient country all political and economic conditions are met, an appropriate public opinion exists and that adequate level of state institutions development has been reached. In our country, there is an accelerated process of harmonization with the international law, especially with the European Community law. According to certain indicators, our country is on the good path to fulfill all conditions for proper implementation of transposed law. At the same time, the law harmonization has to be done very carefully, with taking care of our legal tradition and the present legal system.*

Key words: Harmonization, law, globalization.

1. INTRODUCTION

Contemporary civilization at the end of the 20th and at the beginning of the 21st Century is characterized with an intensive process of the international integration which is reflected in an accelerated development of new technologies and turbulent changes in all social spheres. Simultaneously, with an intensification of modern world integrative changes, the debate about the meaning, causes and consequences of global law harmonization is being actualized. Namely, it has been noticed that intensive harmonization of national legal systems has been achieved in the all social areas, at the regional and global level. The debate on this issue is increasingly gaining in significance because comprehensive consideration of the global law harmonization phenomenon is one of the basic preconditions for modern development of law to be proper understood [3].

2. DEVELOPMENT OF LAW IN THE CONTEMPORARY WORLD

For the proper understanding of the law harmonization in contemporary world, this process should be perceived widely, in other words, a certain increasing integrative process which is reflected in both international and national legislations should be taken into consideration but, on the other hand we should accept the reality that sovereign nation-states are still the subjects of the international law and holders of legal system in its state territory so, in that sense, they are the subjects of the international integration in the area of law. In modern law, integrative processes are simultaneously reflected in all social areas and the further course of these processes is being generalized. The law itself is whereby to develop in the course of the international and national law approaching [7].

In the international law area, starting from the end of The Second World War, it is to notice that this branch of law has been constantly developed, especially from the beginning of the last decade of the 20th century. That development is reflected in both the public international law and private international law, at the global and regional level, in both quantitative and qualitative terms. Namely, during that time, the number of accepted

international legal documents (resolutions, conventions, decisions etc..) was increased abruptly, primarily within The OUN which was to acclaim the period of time from 1990-1999 as “ The Decade of International Law” [11], what was initiated by other global and regional governmental and nongovernmental organizations too. A qualitative shift primarily was in an extension of international law directly to individuals unlike the traditional system of the international law in which the subjects were internationally recognized states exclusively. Also, there is a trend of increasing importance of so called “soft law” to be noticed, in other words importance of norms which are not legally binding for states but which reflects the readiness of states to participate in International Community.

On the other hand, national rules at the international level, in both global and regional have been harmonized.¹ Harmonization of national rules at the international level, respectively transposing the international law into the national legal system can be done by direct transposing of international conventions (monistic system), or by promulgating the national rules that are consistent with some of the international legal instruments (dualistic system). It is not necessary to promulgate the national rule on the same issue by direct transposing of conventions into the legal system (for example, conventions on human rights), but, in order to transpose the international law, in this case it is necessary to harmonize many national rules from different areas with the international conventions.

The process of approaching of the international law on one side, and the national law on another side, has been reflected on the law harmonization phenomenon. Namely, while a clear distinction of the international (public) law and the internal law of national states which existed in the period of modern national states, harmonization of law was going in parallel but independent courses: international conventions, by their own decision, were adopting internationally recognized sovereign states, so that kind of law, by direct application or based on certain legislation was incorporated in the recipient country: in the case of transposing the law, it was transposed from the national legislation of one country into the national legislation of another one, whether in segments respectively in certain legal norms, in decisions or in whole (*en bloc*).

However, during the period of intensive globalization, when the clear border between the international law and national law is lost, harmonization of law is made on the way which has elements of both - the international harmonization of law and harmonization by transposing the national law. This problem can be analyzed the best on the example of transposing EC law by non-member countries, whether they are European or non- European countries which are transposing the certain legal solution because of its quality.

Namely, by its way of genesis (international agreements), the European Community law is supranational international law of the member states, but with the transformation of this organization into the political community – with the introduction of parliament, president, executive bodies and other state marks, as well as with the limited and defined territory, there are some elements of national legislation to be noticed which leads the European Community law to configure its own identity. That is the reason because transposing this law, primarily by the non-member states but by the member states as well, can't be clearly characterized as transposing of the international law, neither as the transposing of the foreign national law.

This's the case with many other governmental and non-governmental organizations which initiate transposing the law at the global level. Namely, there are more and more recommendations, guidelines and patterns of law (soft law) to be brought which lead to transposing the national legislation from states that harmonized their legislation earlier with these principles according to those states which are doing that later.

On this way, the legal norm which arose from the international level has been “nationalized” in some of national legislation of certain states that made harmonization with the international law very promptly, (they are mainly the most developed countries which have stable state institutions and legislative apparatus that is built), whereupon the other countries- that are late in the process of harmonization with the international principles (most often the countries in the developing process) - are transposing the legislative norms. In accordance with the increasing significance of the international law in contemporary national states within International Community, the process of law harmonization is more and more being based on international law, not on transposing the national law of other countries that was the case during the colonial conquest period of time and creating contemporary states with their own legal system. That is exactly basic difference between earlier and modern way of law harmonization.

3. LAW TRANSPOSING AS THE WAY OF LAW HARMONIZATION

The law transposing as the way of law harmonization means transferring of certain legal rules, decisions and institutions from one legal system or international law into another legal system, respectively, transposing the

¹ At the same time, in the process of internationalization all branches of law are not covered equally by one legal system. The most internationalized are trade, finance, electronic communication – especially the Internet and ecology areas.

whole legal system from one society into another one. In professional literature, this phenomenon is called “reception of law”², “legal acculturation”, “legal transplantation”, “import-export of law”, “transfer of law” etc.. There are lots of samples of transposing the law which have been being found since the beginning of the law history but the first who focused and analyzed this phenomenon was Alan Watson [13] in the mid-seventies of the last Century but the real debate between the law theorists was developed after the fall of the Berlin Wall i.e. with the beginning of the accelerated transformation of legal systems of the former Eastern Bloc countries and in accordance with the European Community formation as well.

There are two different approaches to the nature of the law transposing into the contemporary law theory, which result in comprehension of the law and society relation: the advocates of the theory of convergence- one of the most prominent is exactly Alan Watson- replace the attitude that the law is being developed independently of society, respectively that the law transposing is not determined by society in which it occurs: on the other hand, the theorists who prefer the sociological approach to this issue refer the attitude that the law is *the mirror of the people* i.e. the law is rooted in an extend that the law transposing in fact is not possible.

In the debate about the law transposing, except of the authors who refer exclusive attitudes whether from the convergence theory positions or the law as the mirror of the people, there are some authors who recognize failures of those two attitudes and try to find balanced approach to this problem which is located in the middle of that given theoretical spectrum [10].

4. IMPLEMENTATION OF HARMONIZED LAW

In order to perceive the phenomenon of law harmonization in the context of globalization, except of the legal harmonization process, it is necessary to perceive the process of transposed law implementation. Transposing the law as the way of law harmonization is just an initial phase of relation between the legal norm, which is made, and social facts whilst the final phase of this relation is the application process of inherited law in the recipient country social environment. Depending on different social circumstances of the recipient- internal and international- as well as on a relation between the recipient country legal system and a kind of source, it is possible to have different aftermaths to the recipient’s society. In circumstances of intensifying the global process which marks the transformation of contemporary world and with objective and subjective facts causes the global harmonization of law, positive or negative consequences are possible to take place, depending on different social and legal circumstances in all social areas of the recipient country.

To explain the consequences of law harmonization, the problem of *law effectiveness* [13] is very important to be understood properly i.e. it is necessary to understand the relation between normative-proclaimed law (“law on the books”) and law which is applied in real (“law in action”) [2]. As it is said before, in the legal theory there are two opposite separated aspects about possibility that inherited law is to be adequate applied in the recipient country: the advocates of the convergence theory, led by Watson, in general consider that the inherited law can be transferred from one legal system into another one and that it can be applied with no bigger problems whilst, on the other hand, the authors who can be considered as supporters of “the mirror of the people” theory plead the attitude that inherited law can’t be applied adequately in the recipient country if there are not identical or very similar social circumstances as they exist in the originator country.

The necessity of previous correlation between the recipient society and transposed law has been exposed theoretically and empirically in number of works by Daniel Berkowitz and colleagues. According to this opinion, two basic conditions have to be met in order to apply the transposed law: the transposed law has to have the meaning that corresponds to the context where it is to be applied so the final users are encouraged to apply it: judges, lawyers, politicians and other legal agents responsible for law enforcement have to be able to improve the quality of transposed law on the way which is necessary for its adequate application. So, according to this opinion it is required that certain conditions are met in the sphere of primary implementation (final users) as well as in the sphere of secondary implementation (legal agents - judges, prosecutors, politicians etc..) [1].

² “Reception of law- transposing the law from one legal system in order to transfer it to another one. The reception of law is never absolute but partially since the parts of some another system have been being transposed into the present law system. The reception of law can be more or less coherent i.e. clear. There is a clear reception of law if certain parts are receipted without any changes. The reception of law is less coherent if the law which is to be receipted, is being changed and accommodated to the law which is to be receipted. The reception of law is an indivertible appearance in the international relations and when they become closer, the reception of law becomes more developed (Legal Encyclopedia, Savremena administracija, Belgrade, 1989)”

5. THE PRIMARY IMPLEMENTATION OF HARMONIZED LAW

An idea about the interdependence of legal norms within one legal system is closely correlated to the idea about the law as a cognitive institution i. e. it is correlated to the idea that the final users, although haven't been met with every single legal norm, understand the point of the social legal system which they live in. Hence, one the same legal norm in the context of the law system which has been established in completely different value system is being given a different meaning i.e. it is possible that the final users won't apply it in an appropriate way. Those legal norms which are supposed to change behavior of the final users can be carried out in four ways. First, that kind of norms can be ignored. That is the way to keep the final users' behavior unchanged, so the legal transplant doesn't make any activity. Second, transposed law can be found in a formal implementation but ignored in reality, what doesn't make any activity as well. Third, inherited law can be applied selectively what gives an appropriate partial activity. The fourth possibility is to make transposed law completely applied by the final users, respectively to make it maximally effective in certain circumstances.

6. THE SECONDARY IMPLEMENTATION OF HARMONIZED LAW

Directly correlated with the primary implementation is the secondary implementation of harmonized law. Namely, if the legal norm has been taken from some society with similar conditions. i.e. if the final users accept it as their own, it is easier to create institutions which are supposed to implement this law, for example courts, Prosecutor's office, jails etc. Moreover, these institutions can be more efficient if implement the formal law that is in accordance with present legal system or with the ruling value system. At the same time, the goal of each recipient country should be construction of efficient legal institutions what partly depends on financial and personnel possibilities of certain country. However, the construction of effective institutions which are supposed to implement the transposed law, doesn't depend only on these parameters but depends on government's support for legal reform as well. It can be concluded that the amount of success of the transposed law application is determined by ability of the recipient country to give the meaning to norms it took over, but the meaning which corresponds to its legal system and to apply the transposed law in the context of present social circumstances as well.

With respect to different social circumstances and characteristic of the recipient country national law system and the originator country national law system, it is possible for the transposed law to produce some different effects to the recipient country society: all countries with developed and stable social relations and institutions that are able to adjust the transposed law to the internal social relations and legal system and to apply it appropriately have a possibility to make further developing, i.e. to gain advantages of the transposed law implementation; on the other hand, the countries which don't manage to put the transposed law into the national legal system and to use it properly are quite disabled to provide sustainable social development.

7. THE IMPLEMENTATION OF HARMONIZED LAW IN SERBIA

In strategy for Serbia's EU accession, in the part of "Legislation harmonization with Community Law" among proposals of further activities in the harmonization area, it is to be stated that is necessary to "provide required conditions for adopted harmonized regulations to be *applied* in a manner which obtains achievements that rapidly lead Serbia to the EU membership".

In Article 76, paragraph 1 of Stabilization and Association Agreement it is to be stated that "parties recognize the importance of adjusting a valid Serbian legislation with a legislation of Community and its effective implementation" respectively that Serbia will "provide present and future legislation to be implemented and enforced properly." Thus, in both of samples, the phase of transposed law implementation has been stressed but it's been reduced too much and generally made in comparison with the analyze of legislative harmonization phase, so it is necessary that domestic legal theory considers more considerably this aspect of law harmonization.

On our way to International Community especially to European Community, poor acceptance of harmonized regulations i.e. their inefficiency could be a big problem. Thus, it is necessary to raise the level of regulations efficiency parallel with harmonization of our legal system in the sense of their implementation by citizens (the primary implementation) and in the sense of their implementation by state institutions (the secondary implementation). To reach an appropriate efficiency of regulations it is necessary to match certain preconditions and, in the law theory the most important are economic development, democratic political climate, similar value system of the recipient country and countries (systems) which the law is transposed from and organized state institution that are supposed to implement the regulations. Taking into account that our country is at the beginning of the law harmonization process in accordance to international legal instruments, the conditions for

proper implementation of harmonized regulations are not established completely yet. But, based on present economic and political climate, as well as on data about adoption an appropriate value system, and state institutions organization, it can be concluded that Serbia is on the good way to set up all conditions for harmonized regulations to be implemented appropriately. However, our culture characteristic that can be seen in some peculiarities of our legal system require *a careful approach* to forthcoming process of harmonization in order not to repeat mistakes which have been made by some neighboring countries. There are some cautions coming from our scientific and professional public that necessary to harmonize our legal system with the international legal system, especially with the European Community law but very carefully in order “to pour dirty water out but not the child”. Namely, it is noticeable that, through directives coming from the Brussels administration, current practice in economic and legal governance within European Community is about to be transformed into emission of bureaucratic apparatus which is typical for managed economies, not for free market economy or economic and legal democracy as well as guidelines of the need of harmonization should be the result of scientific observation but not clerical techniques which doesn't perceive the horizon of the general cultural identity of the community [5].

It is being pointed out to the Eastern Europe law westernization i.e. to uncritical transposing of the regulations from the Western European systems with no analyzes of any consequences, especially economic ones, in those countries that had different development path. Also, a number of governmental, non-governmental and experts makes drafts of a law without any coordination among them which leads to distortion of internal relation of our legal system so the regulative becomes unadjusted, contradictory and inefficient [4].

It is to conclude that offered services of the foreign law experts are not necessary if we talk about harmonization of domestic law with contemporary law standards even when the text identification or domestic professional capacity are in charge but they are *acceptable:..*” transplanted even the most successful models taken from another side has a little chance to be successful. Moreover, through “the theory of circumstance” the doctrine has postulated an adjustment of creating the legal state to the context [12] as a functional principle of the transition processes.

Also, in domestic legal literature is pointed out that after political changes in 2000 the inherited legal system was not appropriate basic for the start of harmonization because of the number of failures, although there existed a political climate for our country to approach to the European Community. But, it should not have been a barrier to come into the new legal system with much more planning, rationalization and anticipation of European legal body. It has been marked that the European law was transposed into our legal system just as it was necessary and therefore the Serbian legal system has remained “non-European, exotic and uncomfortable” especially in the field of human rights and there where foreign capital could have shown interests for investments into the Serbian economy [8].

So, not challenging the necessity of full and efficient harmonization of the domestic law with contemporary European and world legal standards, especially in areas that has been marked as primary ones, *we should take care that harmonization doesn't prejudice the basic characteristic of our legal system* which reflect our cultural identity. That is important because, in its methods of harmonization for the candidate countries, European Community itself recommends an economic, rational and flexible harmonization that provides the preservation of the specificity of the legal tradition.

8. CONCLUSION

In the area of law, the contemporary world has been characterized by harmonization of law at the global level. Global harmonization of law leads to the narrowing the gap between the international law and national legislations. Also, the importance of binding acts of the international law (soft law) has been increased. Harmonization of law is being done by the method of law transposing (in different extent). The phase of law harmonization and a transposed law implementation represent a unique process. The implementation of transposed law can be divided into primary and secondary implementation. The primary implementation of transposed law refers to the implementation of the final users and the secondary implementation refers to the implementation by the state institutions. The basic groups of conditions for the transposed law implementation are economic and political conditions, public opinion and the state institutions development (corruption). According to the analyze of relevant international organizations our country has a positive trend in the term of fulfilling all conditions for an appropriate implementation of transposed law. However, that transposed law should be adjusted to our legal tradition and characteristic of our legal system, as it was suggested by the European Community institutions.

REFERENCES

- [1] Berkowitz, Daniel et.al., Economic Development, Legality and Transplant Effect, CID *Working Paper* No.39, Harvard University, March 2000; The transplant effect, 51 *American Journal of Comparative Law*, No. 163, 2003.
- [2] Bovan, Sasa, *Paradigmatic roots of Sociology of Law*, File, Belgrade, 2004, p.201-202.
- [3] Dusan Dabovic, Globalization of Law: *Harmonization of Law in The Contemporary World*, O.J. and Law Faculty in Belgrade, 2007.
- [4] Nikolić, Dusan, Harmonization and unification of civil Law: *Elements for the Strategy of Legal Regulative Development*, Law Faculty in Novi Sad, Novi Sad, 2004, p.12,126.
- [5] Perovic, Slobodan, Orations from Kopaonik, Kopaonik school of Nature Law , Belgrade, 2005, p. 526-528.
- [6] Pistor, Katharina, The standardization of Law and Its Effect on Developing Economies, 50 *American Journal for Comparative law*, 97, Winter, 2002.
- [7] Francis Snyder, Economic Globalization and Law in the 21st Century, 2002, u: Austin Sarat (ed), *The Blackwell Company to Law and Society*, Blackwell Publishers , London and New York , 2003.
- [8] Stepanov, Radivoj, Europeanisation of Serbian Law, *Legal Life*, n.12/2004, p.859-860.
- [9] Gunther Teubner, Legal Irritants: Good faith in British Law or How Unifying Law Ends Up in New Divergences, 61 *Modern Law Review*, 1998, 17.
- [10] William Twining, *Globalization and Legal Theory*, London, Butterworth, 2000, 19-21.
- [11] UN Resolution 44/23 of 17 November 1989.
- [12] Vasic, Radmila, Legal State and Transition: *The Theoretical Model and Contextual Conditioning*, File, belgrade, 2004, p.148-149.
- [13] Alan Watson, *Legal transplants* , Law Faculty of University of Belgrade and Institute for Comparative Law, Belgrade, 2000.

WORK SUCCESS EVALUATION AS A PRE-CONDITION OF THE COMPETATIVE ADVANTAGE OF THE ORGANISATION

Evelina Danilović¹, Dragica Zirojević², Ranko Mijić³

¹ MUP RS, Banja Luka, BOSNIA AND HERZEGOVINA

² Kordija d.o.o., Banja Luka, BOSNIA AND HERZEGOVINA

³ Unikredit banka, Prijedor, BOSNIA AND HERZEGOVINA

***Summary:** Nowadays the organizations become aware that their employees become most important potential of its business operations and have essential influence to its growth and development. With their quality, enthusiasm, pleasure of work and experience, they influence efficiency, profitability, reputation and survival of their organizations. The employees' work success becomes permanent care of the subjects of the organization and management of human resources, which basically represents a new concept of relations toward employees and mode of managing their labor and development. Therefore, it is necessary to stimulate everything, which creates such consequences as work success, and motivation, creativity and managing work success has important role in it. Work success managing comprises all influences, relevant for the employees' performance: evaluation of result of work, training and development. The employees (their work success, needs, motivation and satisfaction) become center of human resources management attention, since everybody apprehended that human capital represents the main tool for improving competitiveness of the organization and making advantage on the global market.*

Key words: human resources, management, work success evaluation, motivation, remuneration, training, development.

1. INTRODUCTION

Basic characteristic of the modern social and economic life in all of its aspects, are changes. Significant moves have been drawn in the field of business initiative, where the power of capital and ownership succeed the knowledge and organisation. Economic development today, with the use of new technologies, draws significant attention to employees as a key resource of organisation. They are becoming the most valuable potential of the business organisation and influence its growth and development. So, employees become crucial factor of the positioning of the organisation in close or far surroundings. Traditional models of managing the human resources became slow and inefficient by the means of new economy, especially in the field of professional improvement, training and rewarding of the employees. Differently, contemporary models MLJR give priority to humanistic instead of economic values with all regards to it.

Organisation and its employees should be considered as a unique system, and the policies and practices of human resources are the only way that will lead to suitable high performances of the company. These wanted performances depend on a strategy of a company and the business surroundings (interior and exterior), and adequate use of policies and practice of human resources. Research [6] has shown that positive connection is present between novices and sophisticated practice in managing human resources and better performances of the company, that is, its business results. It shows that system of policies is needed in practice of human management, so as important is the certainty of employment; to professionally perform recruitment and selection in order to obtain competent staff; to perform work success evaluation; to make connection between a reward and a positive productivity; to plan promotions and to provide significant funds for training employees; to establish system of informational exchange and etc.

2. HUMAN RESOURCES AS A SOURCE OF SUSTAINABLE COMPETITIVE ADVANTAGE

Contemporary companies tend nowadays to hide values (or weakness) of their employee potentials from the competition, relating to them as an intellectual capital that enables competition. Human resources are not treated as an expense anymore but as a significant potential that should be invested in order to provide extra value. Employees of modern organizations represent constant source of competitiveness, and they are motivated to constantly improve themselves and their skills and to exercise creativity. Human resources are unique to any organisation, because they are adjusted to its needs, and could not be copied. They are one of the factors that determine the value of organisation which emphasize the employee, their knowledge and creative potential for business success, and its inventivity and relation with customers and clients.

MLJR points that major role in planning, shaping and exercising the strategy of organization, are human resources, but there is an influence of strategy to a strategy and programmes of managing the human resources. Successful business organisations are determined about the use of two strategies: one, pointed to achieving exterior competitiveness, and the other pointed to hire, organise, point, motivate, evaluate, reward, develop and control internal resources [2]. Specificity of human resources could be noticed in their specific knowledge, abilities and skills. They play the major role in choosing the strategy, because with their efficient managing achieving competitiveness becomes possible, so as raising organisational performances and market value. Characteristics that make resource as a cause of competitive advantage are [4]:

- Theory of marginal usefulness points that adequate managing of the system of human resources adds value to organisation, because the border line of useful work precedes the border line of wage expenses;
- Human resources are rare resources which with specific knowledge, skills and abilities can perform new and complex work, conditioned with new technologies, and as such are irreplaceable in featuring communicational and computer technology and positioning the working places of maintaining the system;
- System of human resources cannot be imitated as system whose practices match the goals of organization and circumstances of surroundings that are interactually connected and harmonised.

In Bosnia and Herzegovina managing the human resources is really undeveloped so it is necessary on a state level to establish coherent mechanism of policies or strategies that will deal with development of human resources in an adequate way, in order to overcome the present state. Many organizations don't have management of the human resources nor it exist by that name, and it is common practice to call it personnel function and represents a traditional way of managing, that is, doing the jobs interviews, making the list of employees, caring about law regulations, doing the trainings, planning the annual leaves, and etc. Personnel work is connected with general and legal work and numbers of employees that are in charge for this are small and they are mostly high school graduates, or if they have a college degree they are solicitors. Our organisations don't consider their employees as a most valuable resource, for the time being it is just theoretical. Positive changes that are still insignificant emerge with a privatisation of state owned companies, inflow of a foreign capital, rising of the competition and entering of the foreign companies. In organizations that are willing to achieve the competitive sharpness on our market it is present the need for introduction the MLJR. Introducing this function into organizations must be sequential and to develop in harmony with organization. For these reasons it is necessary to develop activities of human relations like administrative work and training. Specific attention should be paid to deficit of competent people in this field and the problem of non existing programmes for training the present employees. For such organizations the best solution is to hire specialists for human resources in order to introduce other functions of MLJR. What should be changed in order to achieve a better financial result is better evaluation and investing into employees and activities of MLJR. Activities that organisations must undertake to introduce function of the managing human resources are:

- to be more mobile in their policies of human resources
- to well pay and stimulate their employees
- to identify key employees
- to constantly follow work success of their employees
- to have educated employees who will constantly improve themselves
- must follow and measure the MLJR and constantly improve it.

Managing the human resources is important because the success of the company depends on a success of the individual employee. MLJR deals with coordination and pointing of each effect in order to achieve the organisational goals. Traditional managing dealt with pointing and controlling the employees in order to achieve the specific goals, while the contemporary organisations introduce system of MLJR based on creating the positive atmosphere and motivate employees to give the best of their efforts, knowledge and skills.

3. IMPORTANCE OF WORK SUCCESS EVALUATION

Earlier, the work was seen as an achievement of an individual labour and one's motivation, but today that is changed. Work is seen on a basis of whole organisation and achievement of an individual and it is appreciated through the success of the organisation. Work success is a constant care of an individual and the MLJR, so it is necessary to stimulate everything that will stimulate that consequence. Important role play motivation, work success evaluation and creativity of employees.

In traditional organizations work success evaluation has been seen as an individual success and it has been rewarded as such, because it was considered as a result of a reaction of the individual and his abilities and motivation. Today organizations become aware of the planning and organisation of the clear goals, providing the resources,

pointing and managing back up, that influence in a high manner the success of all employees and productivity of the organization. Managing the human resources with its activities has crucial and long lasting effects to work success and business behaviour of the organisation.

Systems of work success management (performance management systems) are related to determine the way of managing the success of an individual and not just evaluation of the success. The greatest advantage of these systems is their connection with the goals of the organization, so improvement of individual work success is at the same time

success of organisational performances. These systems are contained of appropriate training, motivation and rewarding of the employees.

Managing the performances of the employees gathers all influence relevant to work success evaluation, development and training of the employees. Work success management represents present or up today work of the employees. That includes the need for determining the standards of work in cooperation with the employees, and they must be in relation with the standards of organisation; setting the mutual goals (employee must know precisely what is his job and how to obtain expected results); comparing the expected results, giving the feedback about work success of the employee and pointing the noticed problem and adequate reaction to it [1].

Work success evaluation has a multiple value for an organisation. Marks gathered with work success evaluation identify the strength and weakness of the working process, and open the way for transfers, promotions and terminations. They set the need for training and developing the employees, by the means of pointing the skills and competence of the employees that aren't suitable at the moment, but possible to obtain with the appropriate programme. Improving the skills and abilities, potential of the employee is raised to achieve the highest work success, but the question of the motivation remains whether this will happen. Feedback is also crucial in work success evaluation; by their help employees know how organisation appreciates the contribution to organisation's success. Giving the feedback of the work success of employee is in a form of a meeting, where all aspects of performance on a working place of an individual are tharaly examined and followed in a period of time. It should be shaped in a form of counselling rather than an evaluation, which enables the employee to do a self-evaluation. Marks highlighted in that manner are more objective and give easier opportunity to an employee to accept them and offer solutions for correcting [5].

From all mentioned we can conclude that an objective is for employees to get the feedback about their work, because it is the base of righteous rewarding, professional improvement, safety of the position and career planning. Supervision and work success evaluation in Bosnia and Herzegovina was neglected. Changes in this field we can see in examples of banks, they are doing the manager training and introducing them to importance of the function. Most common problems during introduction of this function are:

- there is no suitable job description which makes confusion in determining the tasks and responsibilities and causes low productivity in setting the goals
- there is no certain set of standards for work success evaluation and marking criteria
- there is no section for human resources, and competent person that will do the supervision, council the employees and direct them to work success
- whether it is the question of workers or staff, their job could not be measured in a quality way.

Work success evaluation is valuable for an organisation and its business results. Good designed systems of governing working success of human resources influence the performance of the organisation of the company in many ways [6]:

- Share obtained by investing into subsystems of MLJR, like selection, training, recruitment is often larger than one invested into other business functions. We can conclude that investing into managing of work success as a unique system has the great meaning and it's wishful
- In the system of managing of work success position highly educated personnel, and there is no widening the field of action
- Entire system is hard to imitate in other organisations thus it becomes key competence by itself, and generates long term advantage

- Highly educated personnel in the field of management or enterprise, with technical and professional knowledge are hard to replace with machines and informational technologies.

4. INFLUENCE OF THE MOTIVATION TO WORK SUCCESS

The goals of the organisation are to evaluate work success by achieving general work success, and to get the objective picture about work behaviour of its employees which is very important in setting of the developing goals, motivation of the employees and enhancing the factors that influence success of the organisation.

To obtain this it is necessary to have motivated personnel. Motivation is one of the complex phenomena consisted of numerous factors which influence the employees to behave in certain manner, by investing the certain labour in order to achieve needed performances.

There are numerous theories about motivation that explains the phenomenon. Working under concrete problems and conditions, management must undertake optimal concept of the motivation or satisfying combination. Theories of motivational content are oriented to reasons that provoke certain behaviour, and such are: theory of the hierarchy of the needs (Maslow), theory of the hierarchy (Herzberg), and the theory of the success (McClelland). Theories of motivational processes search for answers in the processes that finally result in the attitude of the employee.

Theory of expectation gives the best answer to what provokes the amount of labour that employee will invest into his work. Work success is a vital component of this theory and it is highlighted in the relation labour-success and success-reward. In order to achieve maximal motivation, employee must comprehend that the labour invested leads to wishful result, and working result will lead to reward that employee appreciate. Employee will significantly work less if confusion problems are present with unclear goals, undefined criteria and the lack of confidence that labours will lead to satisfactory work results, or opinion that company will not pay satisfactory after achieving the results. By the *theory of righteousness* employee is motivated by the same treatment of all, that is, there must not be discrimination in any form. Wish of the employee is to be appreciated according to his abilities. Motivation by this theory is not seen as what employee gets in expectance with his wishes, but the result achieved by comparing with others. This theory has three major factors: input (what employee considers as important to achieve, and is recognised by the others as the competent knowledge, interests, experience), output (the compensation that employee gets as a reward for done job, like a fee, recommendation, acknowledgement, and etc.) and references (that play significant role under which the employee manage his acting and achieve results). *Theory of a goal* speaks about the conditioning the success by the level of difficulty of the goal. Conclusions that are made from a numerous research say that there is a connection between the goal and the result. Specifically determined goals lead to better results of the goals that are not been defined. Participation of the employee in the process of defining goals doesn't lead to better results because the goals are determined by the people in charge. The connection success-result is a major condition to achieve complex goals.

Taking under the consideration some of the researches and experiences in practice we can conclude that there is no universal solution for establishing the system of motivation in the organization, and that it is dependable of policy of the company and specific solutions. This system must insure three types of behaviour in the organization that are important to its functioning and development: to draw people to the system and to stay there; that employees must perform their tasks and commitments in satisfactory manner; and it is imperative to develop innovative and creative activity pointed to fulfilling the goals of developing the organization [1]. This is possible just with combining the financial and non financial factors of motivation that satisfy different human needs.

5. CONCLUSION

Organizations that realised importance of human resources are more successful than ones with the bad management who didn't realize significance and motivational techniques. There is a need for improving and upgrading the human resources by various techniques of motivation. There are numerous techniques on managers' disposal and basically divided on material and non material things. Material compensations are the base of the motivation but, they are not enough, because the majority of the employees have the needs of a higher rank, such as development, acknowledgement of the personal abilities, autonomy, respect, status and etc. Because of that numerous non material strategies are developed like shaping the work, participation, governing by the means of goals, flexibility of working hours, career developing and etc.

Successful organizations have quality strategies for developing human relations and it points the employee like a leading role, and in its creation employees and their superiors are included, which provides harmony with the strategy of the organization. Evaluation is also used as a base for sharing rewards and it's often the stepping stone for a pay raise.

Goals of the employee must be connected and harmonized with the organization, in order to achieve general work success.

REFERENCES

- [1] Bahtijarević-Šiber, Fikreta: *Menadžment ljudskih potencijala*, Golden marketing, Zagreb, 1999.
- [2] Beer, M. i Spector, B.: *Readings in HRM*, Free Press, NY, 1985.
- [3] Bogićević, B.: *Menadžment ljudskih resursa*, Ekonomski fakultet, Beograd, 2003.
- [4] Dreher, G. i Dougherty, T.: *Human Resource strategy*, McGraw Hill, NY, 2002.
- [5] Pržulj, Ž.: *Osnove menadžmenta ljudskih resursa*, Fakultet PIM, Banja Luka, 2006.
- [6] Richardson, R. i Thompson, M.: *The Impact of People Management Practices-A Review of the Literature*, London: IPD, 1999.

CRISIS HITS INVESTMENT FUNDS IN SERBIA

Mihailo Dedović¹, Nedeljka Dedović²

High school of professional economic studies Peć – Leposavić, SERBIA,

¹ e-mail: mihailo_dedovic@yahoo.com, ² e-mail: neda.dedovic@live.com

Summary: The beginning of last year in Serbia, began to operate the first open-end investment funds, which represented a new kind of investment and thus have attracted considerable public attention. To September 2008 year the majority of the funds noted significant growth, more than any alternative investment, the impact on the rapid growth of fond value. Then appeared the first signs of crisis and a significant decrease in the Belgrade Stock Exchange, which is reflected in the decrease in value of investment units. Reaction of investors in these moments of panic was very fast and appeared to withdraw money from the funds. Seemed as if the domestic investors do not want to hear warnings that there is no guarantee of achieving the yield of this mode of investment. Similarly, the reaction is shown and the unwillingness of the administration of long-term profit, as investment funds is not such kind of investment. The paper analyzes possible survival strategy of investment funds at the time of crisis.

Key words: investment funds, capitalization, market.

1. INTRODUCTION

It is said that the investment funds in Serbia are not popular because of that almost no investors were left in large losses. Investment of 1000 dinars, investors had in average half-less, and the expected return of 30 percent wasn't there. Even if individuals decided to trust money to funds now, and wait while a better time, there is no guarantee that the funds after a few months will exist.

Since the beginning of the crisis two funds are in the game, not a secret to another could be closed, although the Act of April 2009 year, enabled the company to capitalize funds. If you know that the domestic industry is virtually on collapse the question is justified of why would be that the founder put the money in something that will certainly tomorrow be worth less. This especially applies to funds the growth of property values that are related to unhappy records of the Belgrade Stock Exchange, which is capitalization at the moment only a billion euros, which is 80 percent less than two years ago. It is known to fall as the price of securities, so the slider and investment fund units. These funds have the same property with 11 million, and the end of 2007 year six funds is managed with 50 million.

2. INVESTMENT FUNDS - ON THE EDGE OF BANKRUPTCY

The current situation of the investment funds industry in Serbia is not light, considering that the assets under management are at a very low level, the expectations of all, but most those of investors, have been let down and perspective is lost. If in this period are not taken concrete steps to improve regulation, increase the level of knowledge and compliance with regulations, the development of investment funds can be significantly slowed, not to say, and called into question.

Investment funds in Serbia were pure exoticism since the beginning, since it is only 2500 investors decided that in this way increase their capital. Doors for the management of companies no one opens, and the fate of the majority is related solely to exchange.

What happens to the funds, which is not an exception in relation to other segments of the capital market. There are two basic factors in the current funds, and the first mismatching of the legal framework with the state of the market and international best solutions for each area of the capital market. The second is related to the effects of

the global financial crisis, in so far as they are opalescent with us. That it is only one negative factor, it would be easier for everyone, and societies for the management of funds to fight the current situation. Thus, the fight is difficult and demanding.

Strict regulations of funds has not given them the opportunity to more than 30 percent of capital out of the country, was one of the major causes of not only a bad start, but the entire development. The first of which is traded on the Serbian Stock Exchange, with about 100 securities, and only a few of them had the label liquid and prospective action. Competent the decision justified good time to keep the domestic market, and money to invest in their own "yard". The new ordinance, the funds available to invest all your money overseas, but it is necessary to have more capital than it has now, for good pay and much higher costs.

Table 1: Value of the assets of investment funds (21.04.2009.)

	Date	Value	6 months %	Capital (mil.RSD)
BALANCED FUNDS				
Delta Plus	21.04.	699,19	-20,38	281,00
Erste Balanced	21.04.	1.024,82		21,47
Hypo Balance	21.04.	983,41	-1,14	37,48
FUNDS OF PROPERTY VALUE INCREASE	21.04.			
Citadel Triumph	21.04.	512,93	-30,06	46,26
Delta Dynamic	21.04.	379,66	-32,03	36,17
Fima ProActive	21.04.	345,66	-47,99	228,91
Focus Premium	21.04.	341,39	-42,33	47,91
Ilirika II Evropa	21.04.	390,45	-32,91	17,50
Jubmes Aktiv	21.04.	626,61	-17,13	10,73
KD Ekskluziv	21.04.	332,71	626,61	9,46
Kompanke InFond	21.04.	685,62	-11,37	80,32
Raiffeisen stocks	21.04.	364,94	-31,26	200,29
MONEY MARKET FUNDS				
Focus money fond	21.04.	1,068,84	+3,38	200,29

And while the Commission for securities sends a message that perspective of funds is good, the reality is far from good. The sale of investment units are 350 dinars and dropping 20 percent a month. Only in March 400 million dinars was melted in capital, and funds can not hide that in the last six months is not any new investors. Cessation of inflow of capital is the result of the fall of investment units, the stock market and investor confidence in general. This situation is likely to come to the consolidation of firms in the market for funds management, where the larger and harder to take funds from smaller and it is possible that even some societies bankrupt.

Of bankruptcies, the first view, are now protected for balanced funds, since to buy bonds, although they complain about the long skinny offer high-quality debt securities. Short-term security of the beginning of the year issued by the state to cover the budget deficit, not listed on the BSE, and has not yet been filled with the promise that the state radio and long term bonds. However, since the beginning of the year began with another fund of this kind.

Interestingly, the absolute leader is the only money fund in Serbia, which is compared to the first region in the list of growth of 14 percent per year. The average growth in Croatia, Slovenia or Bulgaria ranges from three to seven percent. Experts estimate that now would be a little more aggressive out in the creation of new types of funds, and real estate is always a good bit. Especially in Serbia, in Belgrade, because only missing about 150,000 apartments.

What should be particularly Serbia, are the funds to invest in real estate, either in their construction, either in the rental. There is a problem, however, something more complex, because the regulation of that activity depends not only on the funds, or of the Commission, but also from those who are responsible for the regulation of construction and real estate transactions. This is an area which has yet to begin reform. Allow without checking the value of solid real estate investment in the mass of them - there would be more damage than benefit. This is one reason that the state paid to organizing all of what makes the real estate market.

In contrast to the growth of property funds, balanced funds are more protected from the drastic drop, because after you have a warranty or in the normal state of the world in which bonds are entered. Money funds are however, most likely the savings in the bank, which is a risk, and yield, a lot less, while in real estate is the fact that it never can lose all its value. In Serbia there is one closed non real estate Fund. In Croatia there are seven of these funds, which investors make their own headaches, because they are in crisis "fallen" from 10 to even 80 percent. Experts, however, estimate that the future of these funds, much lighter [1].

The advantage of real-estate funds is diversification of investment itself, plus not necessarily a great investment as you would if I decided to buy a property and making the rent. If you have invested in the fund in your portfolio, has a house or business building, the rents will be collected even though the object may not be 100 percent completed. If you have an apartment, when you went, you will have the boarder for a few days or months of an empty apartment and then there is no rent. Another great thing is that the role of a few hundred euros, you can "grant" some real estate, which cared for professionals in the fund.

At this time, real estate market is sleepily, and prices have fallen to the beginning of the crisis for about 10 percent, and by some estimates the trend could continue until the crisis.

Markets are dynamic and things never remain the same long. Before the year - two people have had the optimism that resulted in the high evaluation of all and a certain class of real estate. Loans were widely available and relatively cheap. Today, the loans tend to get and are expensive, but the valuation of real estate fallen less than some other class of property, such as shares.

3. LOW-RISK INVESTMENT FUNDS

Low-risk investment funds mean investors invest only in low risk investment undertakings and the main aim at reducing the risk to the lowest possible rate. This investment strategy has advantages, which are particularly pronounced at the time of financial crisis, and why their popularity and mass property that they manage these days is growing everywhere in the world.

Increase in value of the assets of this type of fund realized on the basis primarily of interest income, so that the total expected annual yield of the competitive bank time deposits with shorter maturity periods and higher than bank deposits by a vision or bank deposits in the short term. These funds are intended to give equal treatment to all investors, regardless of whether you are small or large, physical or legal persons, domestic or foreign persons [2].

The main advantages of low-risk funds are:

1. Allows investors to fund preservation of value through investing in financial instruments with very low rates of risk, and so do not call into question the value of own capital;
2. Allows investors to place their capital without pre-determined investment period (maturity) then, without commitment to their capital will be unavailable in a given period of time, which means that they are always funds available to the first call, or in a very short period of time;
3. A special advantage lies in the fact that investment in the shortest terms and do not affect the rate of the yield that is expected, due to the large number of investors and assets under management;
4. With the short maturity terms, allow investors to indirectly invest in debt securities (primarily issued by the state or with state guarantees) with less than the cost of investment to do so directly - independent;
5. The advantage of an investment fund, and the diversification of investment, means that through a number of investment significantly reduced credit risk of the issuer of the securities in which to invest.

Low-risk funds are nowadays particularly interesting, because there really is no single safe investment. Price of gold on the world market, which is seen as the safest investment, fell nearly 10 percent in the past few months, so that even for gold can no longer say that it is a safe investment. Also, in the medium term are expected to be greater fluctuations in price and debt securities issued by the state. All the world's largest economic powers emit huge quantities of primary money in the fight against economic crisis, and the risk of inflation is very present in the medium term (which holds equity in one currency is risky). Real estate as an investment, are also significantly more risky than a few years ago. And this would all be that low-risk investment.

Therefore, it is quite certain that it will in 2009 be the year in which the investment funds in Serbia to develop precisely in these less risky forms, you can expect that funds that are set up in the next twelve months or the funds are mainly to preserve the value or balanced funds.

3.1. Are there a low-risk investments?

At the time of great crisis and correction of the world financial markets, investors often require the investment that will protect them from excessive risk, which are very frequent past months on the market. Until now, most investors lost that were at risk of movement of share prices on the BSE, and many others, mostly due to currency and credit risks. In such circumstances, investors many investment as perceived risk, and clone them, regardless

of how it is at this moment did good, able to sell in any price and the capital diverted to those destinations that are considered safer [3].

However, as much as a safe investment done, the fact is that at the time of crisis, not a hundred percent sure there is investment, and that salvation is the only good diversification, and investment potential in the deployment of a large number of different investments. The best example for the price of crude oil, perceived as one of the most raw materials, oil the record 150 for a barrel of only a few months fell to a minimum of about 35 dollars. Similar can happen with the dollar, gold or any kind of seemingly safe investments. Bonds, which broadcast government and central banks of developed countries, although at this time very attractive from the point of view of risk, could also experience a significant correction. The fact is that the next 6-12 months, carry with them less certainty and that this time all information and reports should be taken into account with the dose of prudence.

Serbian investment funds market today mainly dominated by funds that invest a significant part of the shares in the companies on the BSE (growth funds value assets), which is a whole this sector of the less informed citizens perceived as very risky, since the value of investment units of the funds in the previous period has significant drop, but less than the fall of BSE in the same period.

The challenge is to explain to the average investor, not all investment funds in Serbia high-risk. A good example for the funds is to preserve the value of the property. These funds invest exclusively in funds investors the lowest risk investment undertakings and their primary goal have safe plasma collected funds, and maintaining a high level of liquidity role of members. The most common type of investments are deposits with banks or debt securities with a maturity period of 12 months, with which you have significantly less risk than any other type of investment. On the other hand, diversification of investment fund (fund that invests in a number of different instruments at different issuer) further contributes to the security investment fund.

4. IS THE POPULARITY OF INVESTMENT FUNDS DROPPING IN SERBIA IN RELATION TO THE REGION?

Today, mutual funds are not particularly popular in Serbia, especially in a "bad moment" in which they appear on the market. However, you should have in mind the fact that most investment funds in the world in the period of the summer last year, records significant losses, and that this movement of the value of investment units is not typical for Serbian investment funds.

Financial portal Kamatica.com has conducted research on the movement of the average value of the investment unit of open investment funds in the region in the last 12 months.

Table 2: The impact of the crisis in the investment funds in the region [6]

State	The average value of the movement of open investment funds in% in the last 12 months
Croatia	-26
Slovenia	-30
BiH	-42
Hungary	-43
Romania	-48
Serbia	-55
Bulgaria	-56
Macedonia	-59

The smallest average decline in value of investment units last year made an open investment funds in Slovenia and Croatia, while in group investment funds with the biggest drop value investment units are Serbian, Bulgarian and Macedonian investment funds.

Most impact the world financial crisis of the studied countries are felt Hungary and Romania. However, the regulations of the countries in the field of investment funds, which allows them, and significant investments outside the boundaries of their mother, made the investment unit of their funds have viable falls, keeping in mind the difficulties that faced in the economic sense. Similar to the situation in the Croatian and Slovene funds, which are among the best observed funds make impact the crisis. Another important reason why these funds are recorded below is that the market developed a lot of investment funds in these countries than in the other observed.

While in the group of countries with "less" investment funds, Serbia is the ungrateful position gained from the two main reasons, which alone company for the management of investment funds not affected. The first reason is that the investment funds in our country occurred immediately before the fall of the overall economy of the country and attack the world financial crisis. The first investment funds have begun to work in the moments of

greatest expansion in the purchase of BSE, which is not given them the opportunity to buy at reasonable prices for long-term securities. Another important reason is the very strict regulations that investment is not allowed outside the country. The combination of these two factors is significant at the time of the fall of BSE led to the large drop of investment units, whose value and depended only of the value of domestic shares [4].

In kind of investment funds in Serbia is dominated by the values of growth funds, which are most profitable, but are the most risks, and that their existence in the most prominent display in the way of entering into a financial crisis. This is one of the reasons that the average value of the movement of investment funds units open in Serbia so great. For example, in Croatia and Slovenia are in the present and significant to the extent balanced funds, which bring a lower yield, but the wear and less risk, and their investment units in the previous period noted less drop, and therefore the reduced overall average decrease of the value of investment units of an open investment funds, and there are specialized funds [5].

Also, in countries with developed markets, investment funds and the funds are present to preserve property values, which in these times of crisis only noted the growth, and positively influenced the overall trends observed average value of investment units.

5. CONCLUSION

What most affects the results is the so-called investment credit crunch that is, difficult or slow functioning of the world's credit markets. Such an environment is unfavorable to economic trends, because the terms of financing and the possibility of charges in the economy decrease, which slows economic activity and increases the risks of doing business. In this regard, the credit risk of the issuer is the most important factor in any investment decision.

Liquidity financial inserted in the global market is not yet in the required extent, came to the countries of Central and Eastern Europe, and is expected that the second half of this year will remain remembered by sharpened expensive loans and credit terms. In this sense, to expect that this will affect the profitability of companies with significant debt in the capital structure.

Serbian investment funds market today mainly dominated by a significant part of funds that invest in shares of companies on the BSE, which is a whole this sector of the less informed citizens perceived as very risky, since the value of investment units of the funds in the previous period has significant falls.

The citizens of Serbia even before the crisis are not many know of the psychology of investment funds and when the crisis passes, the industry will have much more to do to gain the confidence of potential investors, especially those who are now in the minus. Their expectations are failed and it is estimated that will take years before the eight to play again in the capital market.

REFERENCES

- [1] Aleksić Jelena, Teški dani za investicione fondove u Srbiji, Bankar, maj 2009.s.37.
- [2] Marinković Milan, Vreme je za ulaganja sa što manje rizika, Ekonometar, br.53.2009.s.61.
- [3] Marinković Milan, Valutni i kreditni rizik vlada finansijskim tržištima, Ekonometar, mart 2009.s.62.
- [4] Srpske investicione jedinice među najlošijim u regionu, Ekonometar, maj 2009.s.60.
- [5] Bajević Radmila, Srpski fondovi hoće u pečalbu, Biznis, Januar 2009., s. 9.
- [6] <http://www.kamatica.com/>

LIQUIDITY RISK MANAGEMENT OF BANKS IN TERMS OF THE GLOBAL FINANCIAL CRISIS

Mihailo Dedović¹, Nedeljka Dedović²

High school of professional economic studies Peć – Leposavić, SERBIA,

¹ e-mail: mihailo_dedovic@yahoo.com, ² e-mail: neda.dedovic@live.com

***Summary:** Due to the increased obstacles when it comes to the economy and the effects of liquidity crisis in the world market, banks are much more careful to credit approval. Lower portfolio does not necessarily mean lower volume of loans, but that the more money the better customers. Assertion that there is not enough good companies that can be placed in loans is a very generalized assessment. Always has good and less good company. For each bank is crucial to grow with good clients, and to identify which companies are good, what are their needs. How to offer the right "mix" of services, survive the crisis and to have good companies in your portfolio is the issue of this paper.*

***Key words:** liquidity, portfolio, clients, corporate culture, crisis management.*

1. INTRODUCTION

Management should implement the bank through the crisis so that "out of it stronger than they are penetrated." This goal will be met by setting the right criteria to choose the clients that the bank will cooperate in the future, and intensive work with the population and small and medium-sized enterprises [1].

On the scene is, therefore, conservative banking. There is no doubt that the banks in the domestic financial market successfully passed the first test in the field of liquidity risk management. Namely, the sudden withdrawal of foreign currency deposits of natural persons in the last quarter 2008.godine, when according to some estimates of the Serbian banking system was withdrawn about a billion euro savings, is just one of those scenarios that bankers at least wish for. However, banks are timely reaction and acted as economically rational - have a sufficient amount of liquidity for the reconciliation of assets and liabilities proved to the right can be trusted.

Thus, in the first quarter of 2009 the growth we have of net foreign exchange deposits, which indicate that the confidence in the banks in Serbia preserved. A, which is well known that the operations of banks based on the famous syntagm - is in trust.

2. RESISTANCE OF BANKING SYSTEM TO SHOCKS OF LIQUIDITY

2.1. ALM – Assets and Liabilities Management

Events from the last quarter of 2008 the domestic analysts who deal with the banking risks recalled the importance of scenario analysis and stress tests for quality control risks. Analysis of scenarios and stress tests are techniques for managing assets and liabilities Bank (ALM - Assets and liabilities management), which is the essence of the application of various alternative scenarios in the risk analysis of insight possible negative effects on capital and financial result of the bank. In each scenario vary the banking categories in order to determine the sensitivity with respect to the structure of balance of risk and return.

Scenario analysis (also called simulation analysis) is required to first define risk scenarios by the bank, and the scenario that synthesizes more individual scenarios and may lead to excess a high level of risk is, in fact, the stress test. The essence of stress tests is therefore to determine the resistance of the existing balance (and out of bilancex) structure of the extremely high levels of risk.

Management of liquidity risk is most often analyzed the following scenarios:

- 1) sudden withdrawal of deposits,
- 2) Sudden growth of a request for approval of the use of approved loans and credit lines from out of balance banks,
- 3) Disorders of the domestic and international financial markets, which prevent or hamper access to fresh sources of funding.
- 4) The credit rating deterioration countries and banks, which adversely affects the ability to debit [2].

As already noted, sudden withdrawal of deposits is one of the scenarios in the business of unwanted banks. Deposits are the main source of financing banks, i.e. the main tool for work. Bank term transformation of performing assets (the conversion of short-term resources in the long-term placements or short-term deposits and deposits by a vision in the long-term loans) consciously create gap maturity in terms of marketing terms and obligations, and in this way to show the risk non liquidity. But the essence is in the appropriate management team gap. Each bank should first ensure that sufficient amount of liquidity and assets to determine the real possibilities of debit on the financial market, as the basic instruments for managing liquidity risk.

It is necessary also to monitor the absolute level and relative level of gap i.e. participation gap liquidity in assets and on the basis of these indicators periodically review the level of liquidity mass. Also it is very important to establish the vision Volatility deposits (transaction and savings deposits), as unstable sources of funding. On the basis of their historical movement that is movements in the past, it is possible to examine the Volatility of the deposit by applying the standard deviation as a measure of statistical dispersion. That the level of the deposit by a vision that is more or less constantly present in the bank is called the "sticky deposit and it can be used for placements with longer maturity terms, while the other part of these deposits have adequate reserves to ensure liquidity. A need to do and fixed-term deposits.

In the scenario analysis and stress tests, it is necessary to calculate strong withdrawal of deposits, and a small amount of "sticky and core" deposits, which will represent the attack on the liquidity position of banks, all to determine what level of stress can be submitted to bank liquidity.

Sudden growth of the request for approval of loans, as well as the use of the approved credit line, is also the scenario that must have in mind in order to adequate risk management of liquidity. Each approval of loans and credits in the commissioning course withdraws from them, in addition to recording the claim of the active balance sheet, and recording obligations to loan receiver the balance of liabilities. Once a client decides to withdraw the funds approved, there will be a reduction or a bank account or cash, and therefore the liquidity of assets. Also use the approved credit line of the client's bank leads to the migration position out of balance in balance with the bank, targeting in the liquid mass.

At this point, and should indicate the close link between credit risk and liquidity risk. Namely, the growth of credit risk (the risk of not paid claims) due to delays in customer commitments settling or credit rating deterioration of the client (the category in which the deterioration of the client) because of some other negative phenomena in the operations leading to reduction of liquid claims and thus to the deterioration of liquidity position of the bank.

The third and fourth scenario, prevent or hamper access to fresh sources of funding in the domestic and international financial market by acceptable price. Should bear in mind that in conditions of crisis in the money market funds can provide, but with less maturity, less the amount and cost more. At the end of the analysis should be mentioned and that has domestic central bank. Conducted on the basis of scenario analysis and stress tests of the NBS concluded that the banking sector in Serbia liquid high and able to amortize the strong liquidity shock. In the framework of the analysis, regulatory risks liquidity ratio did not lift up below the minimum 1st level.

Last reduction reference (basic) interest rate of the NBS at the level of 14 percent will improve dinar liquidity, and in the preparation of a set of measures aimed at facilitating the liquidity position of banks - approval of new loans for liquidity with a duration of 12 months, benefits in terms of classification customers, increasing the ratio of foreign exchange risk, and the like. All this indicates that in our country responsible for managing liquidity risk.

3. FEAR OF LOSS OF MONEY - MUCH MORE EMOTION THAN THE DESIRE FOR PROFIT

We like to say for ourselves that we are rational beings, especially if we talk about material goods such as money and its investment. However, the reality is still more complicated. In making decisions, how they tried to be objective, it is impossible to turn off their emotions. Emotions affect the market actors, two of which are basic: a desire to profit (if that is achieved brings the feeling of satisfaction), and the fear of loss [3].

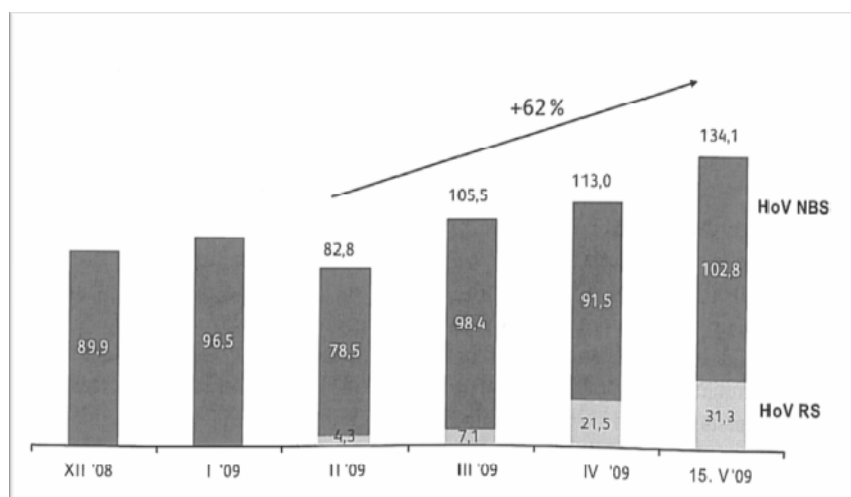


Figure 1: Liquidity in the banking sector (in billions of dinars)

Table 1. Participation of loans with delay longer than 90 days

	IX 2008	XII 2008	I 2009	II 2009	III 2009
Economy	5,82%	7,13%	8,29%	9,45%	11,60%
			+99,3%		
Population	2,66%	3,79%	3,42%	3,40%	3,58%
			+34,6%		

The link between emotions, behavior, and mass events in the market, thus becomes more obvious. The fear is from time immemorial been a strong (although not most powerful) incentive to form a mass of people, much stronger than for pleasure, or desire for profit in this case. Therefore, should not wonder why all the assurances of experts that the Serbian banking system stable, did not have significant effect, regardless of how they were rational and logical. It is easier to cause fear in people, but it decreased. In the mass media have influenced some of which are forcing a feeling of fear imposed certain beliefs and expectations. As the economy and in fact are the people, pessimism and fear of the transfer in all spheres of the economy so that we are now witnessing many pointed out effects of the crisis than it was expected on the basis of purely economic indicators.

The question that logically arises from the whole story is: What is the solution? Our market and the fear of the government as long as the emotions overcomes, the crisis will last. Therefore, and measures proposed and implemented to have that fact in mind, or will have the same effect as well as the assurances of experts - very small. The best way to be broken this vicious circle is the action that will at the same time, positively affect the psychological and economic causes of the crisis.

It is investment and positively affects investment in one of the basic human fears during the crisis, and the fear of job losses. However, for investments and investment are, on the one hand, sufficient funds, and on the other hand the mechanism of allocation of these funds. In the period of reduced liquidity and the global crisis, in addition to relying on assistance from international financial institutions, the focus must be on the internal sources of funds. Therefore, it is one of the prerequisites for recovery of the return of the citizens' confidence in the banking sector. Savings, which is withdrawn in the last quarter of last year, in the amount of one billion, has not yet returned in the banking sector. Reduced the level of deposits negatively affect the credit activity of banks and the economy and the greatly suffering due to lack of funding sources.

So the question is: What measures can affect the reduction of feelings of uncertainty and fear deponents?

One of the measures that have already been implemented is to increase the amount of insured deposits of the fifty thousand euros. Another measure that was implemented was the abolition of taxes on income from interest. But fear is a much stronger emotion than the desire for profit. Hence, this measure can not have a significant positive effect on the return of deposits in the banking system and not to speak about the negative impact on budget revenues.

Bearing in mind that the blood banking system, economy, the state authorities and the NBS is to reduce the fear that exists in the banking sector, that is, to create the correct climate loans, which will reduce, primarily, the credit risk that banks exposed. Without it can not get to a significant increase in credit activity. Although the measures subvention interest rate loans with a good and positive, because the less load on the basis of interest rates strengthens the ability of the debtor's credit, the banks fear is not whether the debtor will be able to repay the principal. Hence, one of the key initiatives that could lead to the rapid growth of credit activity is an

additional emphasis on the guarantees that the state provided (partially or completely) when lending entities. In this way, the banks were less exposed to credit risk and the larger companies had access to credit. None of the above measures can not be adequately implemented in practice without the appropriate support to all layers of the population.

Every day is a day closer to the crisis recovery of the entire economic system. Although we can not prevent the occurrence of crises, we can at least to do everything in our power to it as a short duration, so we focus on the treatment of the causes of the crisis, the economic and psychological nature. Although we have a real problem, it is not a reason to become more and more patients aforethought. The state and the financial sector to prepare the medicine that will work quickly and efficiently, but only responsible media in a way a positive influence on the psycho as key recovery.

4. HOW TO CONVINCE THE BANKS TO GIVE LOANS?

Bank in Serbia and still abstain from lending, and monetary policy objective is found between the Scylla and Haribde - between the powerful contraction of the economy that would require relaxed monetary policy and the need to keep the inflation, which, given the regulated price growth this year of high 11.4 percent, not the space for such a relaxation [4].

Reference interest rate during the April was lowered twice, first with 16.5 to 15 percent, and then to 14 percent, but it is not even reflected in the significant growth of credit, or their price. But, now we have a situation that the high liquidity of the banking sector, and no new loans, and margin increased due to increased interest rates. However, in the last two months, the scope of the credit economy is growing again in the mild, but in relation to the needs of the little. When it comes to individuals, loans stagnated, and the trend has not changed from last year.

For banks is obviously the question what to do with its satisfactory liquidity, primarily dinar: whether to invest in securities of the Republic of Serbia, National Bank of securities, to buy foreign currency, or funds placed in the credits. Practically, the dilemma of whether to invest in securities the central bank interest rate of 14 percent, or to grant credit by real Interest of twenty percent or more. And now the answer is the banks that they had great delight in securities of state and NBS, but that risk and be given additional credits. Currently, these securities in the liquidity of about 150 billion dinars.

That fact says a lot. On the one hand to the banks is to choose words carefully, to think that it is good to have cash, and free liquid assets, for "do not let God" and to have a problem to define what is a good client for them today when running non liquidity chain, which is Large non-payment issues contributed to the state of its debt to the economy, anyone can be called in the default lower position than others. Growing non liquidity will undoubtedly lead to the selection of clients, but it seems that banks do not have much desire to give in to the risks of such selection. Anyway to have reasons, bearing in mind that aggravates the quality of loan portfolio of banks, and mid-May with the participation of credit delay longer than 90 days in the economy climbed to 11.6 percent, while the population of the 3.58 per cent.

On the other hand, the economy, and the population, is not willing to take new loans by the conditions under which banks offer them, because they are simply expensive. For many business motto is - to sell stocks, production down to a minimum and not the debiting. Obviously, the majority is the intention to reduce the need for additional funds to the liquid, logical, self-restraint from entering the binding of long-term funds through investments. This is more than visible and the first results of the government program of measures for credit, which confirm that the credit demand oriented towards providing the necessary working capital, although the very fact that the reprogram have used credit. Population and demand changes and predominantly directed to the current consumption, which means that it will be even less of those who are willing to be charging for furniture, white equipment, carpets, car or apartment. It's nice that the state is ready to subventions interest, and potential debtors have learned to be careful and to think for yourself and in the long run.

We have, therefore, the government program that makes loans cheaper and accessible, but the bank credit portfolio increased to a lesser extent than the use of state subsidies. We have the willingness to NBS or liquid banking sector provide additional dinar and foreign currency liquidity through eskont first-class securities and swaps business. But have no new loans. The problem is, it seems, and restraint in regard to assessment of future events, in that - can be, but does not have to mean. All it is clear that Serbia as a small country, considering the economic potential and the necessary contacts with the environment, little instruments which can significantly improve your position. Risks are predominantly external, although we can "mess up and at home, otherwise they would not have called backup plan.

If it is true that banks will not take serious credit expansion and, through some good information from the world and domestic economic scene, not to receive the end of the crisis, it is still further reduction of certain economic and foreign trade activity that has already grown to worrying proportions.

5. CORPORATE CULTURE IN BANKS

Although management of the banks like to speak about the mission, vision, strategy, company values, the essence of these terms difficult to understand the large number of employees should be conducted. Similar is the corporate culture. This seemingly abstract concept of employees approaching the written code of conduct, training, training, or through non-written rules, which, as well as any other company, adopting the "walk" Corporate culture refers to the way in which to communicate with colleagues, the same ranking or superiors, or the dressing code of the working space, or an introduction to the rules of behavior with clients.

Although based on them, culture is not reduced to the rules and norms. Positive culture should be to create a good atmosphere for work, so employees develop the appropriate attitude towards the duties, performance and productivity. This will be the gains and their colleagues, customers and banks, which communicate with them. All that is happening within the bank is reflected, at least indirectly, to its image with customers, who will now see whether they are official address in a decent way, if you out to meet them with the information they seek and, finally, whether the behavior only exception in the company. On the other hand, the constant presence of banks in the public and a large number of clients is that they are constantly in the eye of potential candidates for employment.

Knowledge and skills are important, but not the only factor that determines the selection of employees. Selection of staff is moving more and more of what people know, to study their attitudes and values, because it is proven that people much easier to acquire new knowledge and skills, but that renounce their values and attitudes. Therefore, in addition to experts in human resources, the selection usually includes someone from management, in order to personally evaluate their future collaborators. This assessment can be done on the basis of subjective impression that the candidate leaves the interview, the results of tests of emotional intelligence, or, structured interview, which examines whether the candidate fits into the framework of organizational culture [5].

Small businesses, as a rule, give employees more opportunity to influence the interpersonal relationships and the way in which the company operates, and the boss is there to keep them under control and ensures that work flows as imagined. In large systems such as the banks of the patrons and not the only way to ensure that daily work runs smoothly and to respect the decisions of the management procedures are strong. If they are respected, there is no fear that employees will not do exactly what they are searching for. What layman acting as rigid and bureaucratic, the officers and bank as a whole is the best way to ensure that things do not get out of control.

Corporate culture is generally slow changes, and the larger organization, it is more difficult to change the procedures by which functions. This is one of the reasons why the largest bank hard submitted attacks the crisis, because they lack the flexibility to quickly adapt to changes in the market. Two-way communication to enable employees to present their opinion, but that leadership is the only bank that can make a decision to change something.

Employees of the banks have the opportunity to present their on the court and work in the company - that serve internal PR, corporate magazines and surveys. The last word about the corporate culture, however, the management, because it is only possible so that the system "smooth" functions. In the banking sector, due to the nature of the work culture is based on the respect of clear rules and procedures, which leaves less room for initiative and independence of employees, and reduces the possible impact on the existing model. Employees who can not fit in the defined culture, usually decide to leave the bank, and often, and the entire banking sector.

6. CONCLUSION

The arrival of foreign banks on the Serbian market injected not only dose of fresh capital, but the new management, which is change the internal organization and attitude toward customers. Each page has brought the bank, especially its organization, procedures, changed the relations between employees and management, and, of course, performance of staff to customers. These standards have become the standard for other domestic banks, which are the same and had to adapt, to keep their customers and prevent outflow of employees. Although each bank tends to be different from your competition and formed a specific image, a similarity between them was inevitable. The very nature of banking business - handling money - requires that bankers have in mind first of all, avoidance of risk. In practice, this is achieved by the administration, rules and procedures. Reliability and efficiency in the banking business, in general, is worth more than to encourage initiative and independence of the employees.

REFERENCES

- [1] Papanastasion Georgios, Na ceni je konzervativno bankarstvo, Bankar, jul/avgust 2009., s. 27.
- [2] Ćirković Ivan, Banke pod stresom, Bankar, jun 2009., s.68.

- [3] Đurović Danilo, Novac u bankama je na sigurnom, Profit, maj 2009., s.26.
- [4] Marković Igor, Država najmilija, Bankar br.30,2009., s.66.
- [5] Veljović Stevan, Kruta ali efikasna, Bankar, februar 2009., s.85.

FATAL CHALLENGES OF CRISIS

Nedeljka Dedović

High school of professional economic studies Peć – Leposavić, SERBIA, e-mail: neda.dedovic@live.com

Summary: „Where to find money?“, is question which managers of Serbian companies repeating those days like robots. It is probably equal with question „is there a God“? and „are there life after death?“, because, not that it is only hard to tell who can and want to invest in Serbian economy today, but for many local economists this year is question of life and death. Estimates say that many companies will not survive. Those who survive until spring of 2010. will have, for the purpose of needing money, to swallow a lot: Shares, if you try to get to the Marketplace, will be cheap, loans expensive, They will have to renounce profit, to meet a list of serious conditions of demanding investors. How to response to the fatal challenges of crisis, is subject of this paper.

Key words: crisis management, family businesss, consultants.

1. INTRODUCTION

The crisis is a serious challenge for the normal development of business and reputation of the company. At first glance, it can be very inspiring challenge, but as soon as it occur, quickly becomes clear that it search professional and selfless commitment and that there is no guarantee that it all will be completed without serious consequences.

Companies whose business is exposed to a particular type of risk, know for the long time how crisis can be fatal challenge. Because, when the crisis perform, it disturbs the normal processes, brings turmoil, reduces the ability of thinking and, as a rule, is accompanied by great media pressure. In all this, it is necessary to make decisions about the entire series of steps that are essential for the solution of the problem, sanction and prevent of negative consequences [1].

As big stress for the management companies, crisis is a strategy indicator of the ability and inability of people to successfully overcome the problem, to face the unpleasant facts and remain efficient and collected in the circumstances of high pressure.

2. POSSIBLE SOURCES OF FINANCING COMPANIES AT THE TIME OF CRISIS

There is money, but not much and not for all who need it. This means that it is possible that the cemetery of Serbian companies increases in the coming period, because rare investors have higher demands for investment. On the other hand, some economic branches have a good perspective, but it will be a lot of concessions that companies from these sectors will need to make in order to be able to count on financial assistance. State, banks, investment funds, potential strategic partners from industry, capital market and enough rich individuals who are ready to support the development of someone's business for the appropriate share of the property, could be some of the addresses that should be searched for cash.

The newest possibility given to domestic companies is goverment help program for overcoming the world crisis. The Government through subsidize interest on loans and credit lines for investment offered a lot of good interest. To maintain liquidity and financing of permanent working capital state offered two billion dinars, to subsidize interest loans 40 billion dinars, of which at least 50 percent for exporters. Interest rate is up to 5.5 percent, and repayment period up to one year. Another possibility is the use of subsidional loans for investment in the Fund which provides for the development of 30 percent loans, and 70 percent of commercial bank loans. Interest rate is about six percent since the formula relies on the euribor formula plus four percent.

However, the condition for obtaining the favorable credit line is to maintain the number of employees, which is quite difficult. Namely, if the company in the previous period, already technology advanced and now taking credit for the purchase of new equipment, logical that it should not be the same number of employees, but smaller. The second trap is in the detail that some companies had increased the number of employees in which was matched with market conditions. In the new circumstances, when the demand for products and services of these companies are far smaller, it could happen that holding the costs for the work force at the same level as a year ago, at the end could take the entire company down. Therefore, the company that want state behind her, should be wise to think if will be able to follow marked business plans, and if can save all the jobs, earning credits, not further jeopardize the business.

Second, "limit" set by the state, is to have the advantage of exporters. Commercial banks are state partners, to take on the risk of selecting the company which will credit, which means that these financial institutions have to open "for eyes" when they decide which business will support. Advantage will have checked the old customers who had not have delays in returning bank loan. [2]

The third option for collecting the money is Serbian capital market. However, after last year narcissus BSE that still fall, but few of specialist see the exchange as a place which has a surplus of cache. That happy time of two years ago when the index daily noted the historical maximum, the company could count in the initial public offering, recapitalization, broadcast or sell corporate bonds, minority or majority share of interested investor. However, because trends in the Serbian capital market is very unfavorable, all of these ways of attracting fresh capital are under a large question mark. Any initial public offer would be a suicide at this moment because the price action was very low, far from the true value of the company, its business results and what the company expected the price. Similar arguments apply to recapitalization that some companies have decided.

Some companies would in the case of unsuccessful recapitalization able to issue bonds, which are not yet on the Serbian market. However, experts have divided opinions about issues that the good time for the issuance of corporate bonds. Opponents say that investors are so restrained and not convinced, that even the best companies with perfect ratings can not broadcast this paperweight. Transferred to the local court, the names of owners of domestic companies, are at least questionable, and could refuse cautious foreign investors.

On the other hand, institutional investors (pension and investment funds and insurance companies) are hungry of new securities on the market, and the corporate securities of good standing domestic companies were a good way to extend the poor offer of securities for investment.

For companies that did not match any of the previously listed methods, remains the sale to strategic partner from industry or private investment funds. This variation can count all the companies still have the market, such as those in the food industry or pharmacies sector. However, in these industries will be a problem that partners make an agreement because for the seller company it always "worth more", while the buyer has other parameters of evaluation, according to the current situation. Investors are far more demanding, not only for the value of the company you buy, but the expectations regarding the future business peformans of company.

3. CONSULTANTS – PROFIT KEEPERS DURING CRISIS

Many Serbian businessmen have been talking joke that the consultant is a men who borrow watch from the owner to say what time is it and then charge him that service. The belief that the boss knows best what is good for his business and the survival of the company is not characteristic only for local companies, but is common in Central and Eastern Europe. New circumstances, however, could turn over "self helping" trend of local businessman. The demand for consultants will be in a rise because many will not know how to reduce costs and savings, which one to fire, how to keep existing customers, if and which property to sell.

Behavior of companies in Serbia will be fit in the well-known rule that at the time of the crisis increases the need for counseling services rises. The more problems, therefore, more work for consultants. Therefore, the majority of the consultants have a lot of optimism, although it is not so easy to break down old prejudices in the business.

Consultants may, however to Serbian "hosts" do not like to admit, be the salvation for the company at the time of crisis. A good consultant knows the market, know what is where and when necessary, can reduce the cost of business while it does not reduce the effectiveness of the company and to preserve profit.

There is expected that consultants will have more work during crisis, because central and Eastern Europe companies have been grown, so they never needed reconstruction. There is, however, many companies that are unreal optimistic because they believe that this is the crisis highlight which end is expected until end of the year. Wheatear they are or not in the crisis, companies must understand that consulting is en investition, not en expense. By investing in consult services, company makes profit which is very important in this year.

Crisis has changed the work approach. Traditional approach implicated that consultants made project plan for company in period of six to twelve months. If it is determinate at the end of that period that plan was not realized, consultant would take the blame. Today, agile concept is more and more in use. General objectives are

set, but exact directions are defined during work, and results are measured in shorter intervals. It's more difficult, but there is bigger consultant influence and clients are aware that consultant is investment, not an expense. Banking and telecommunication are branches on Serbian market where is the biggest competition. It means that only good product brings new clients. Consultants who know that market will be wanted. [3]

Table 1: What Serbian companies ask from consultants?

Reduce costs wherever this is possible
Raising the level of liquidity through the payment of debts and claims or large debts in the bank
How to keep customers in the situation when media here and there shows that some bank in Europe can not service its obligations
Simulation of tariff packages in the network, and banks that need to respond to the question which is the product that the customer is ready to buy
Assistance in restructuring the business in order to increase effectiveness and productivity of all parts of company
Assistance in firing in order to do it with less possible disorders
Development and improvement of sales network in trade, insurance, furniture industry
Communication with public in order not to endanger the company's image and status of a good employer
Negotiations with the banks

Companies will mostly seek help with cutting their losses. Then, they are interested in reprogramming the short-term loans, and then, are interested in short-term loans to reprogram, but also to reduce the need for additional capital. Price is one of the major reasons why companies are difficult to make decisions for foreign experts. Engagement of consultants per day cost of 700 to 2500 Euros. That is, a lot of money in comparison with the end effects of engaging external advisors. There are owners who are jumpy to mention of that much money, and they decide to take someone who search 100 euros per day. Bigger project need people with experience, knowledge and good references from previous companies. This, of course, cost money.

4. CRISIS AND FAMILY BUSINESS

When you say family business in Serbia, the first thing thought of are bakers, workshops, or small companies in which the father is executive, mother is accountant, and kids are workers. They are found because of big unemployment, and starting family manufacture seems like most reasonable way to ensure the existence. In the world, family business represents basic of small and big economy, and it's natural to hope for it to grown up in big company. In Italy, companies in family property are: FIAT and Benetton, in France: Michelin and L'Oreal, in Germany: BMW and Siemens. There are only few similar companies in Serbia, even if we count families which business empire is built with help of previous political situations.

In spite of unfavorable circumstances on domestic market and world crisis, consultants, bankers and entrepreneurs expect for family companies to confirm that they are skilful in surviving and to use their main advantages: to cut their losses using more their own resources and to direct themselves on more profitable products.

Family business gains his vitality, primarily, from the full commitment of its founders and the company, at least initially, engage the whole family. At the time of crisis, the fact that all the earnings will remain under the same roof, can be a good basis for survival and reducing the outflow of earnings.

A significant advantage of families who start their own business is that they have more tax treatment. A significant part of the work performed by family members who are not registered and not paid, or for them a fixed working time. Family firms may therefore easier to start accruing capital required for serious investment.

The biggest problem for family firms in crisis is that it can not be the time to charge what they produce and what they reduced marketing opportunities. These companies are sensitive to changes in the environment, because they lack adequate reserves and liquidity of the problem usually solved by part of the liquidity provided through loans.

If the liquidity problem for the majority of family firms, the fall in demand will not affect all equally. Because of the crisis will be vulnerable for at least one family firm whose products do not carry a dose of luxury and the people they will not give up easily, like car service and hairdressers. More will be affected, for example, family supermarkets, because they savings will urge consumers to purchase more weekly. Better opportunities are in production of non luxury food, as well as specialty food stores that can offer products which are not in large supermarkets, or closer to consumers.

Small businesses are, however, the advantage over the big companies from sectors that are affected by the crisis and can avoid the "lock" if you adapt your bid. For example, a company that previously sold door to new apartments, while the property market was rising, it is relatively easy to refocus on older buildings.

The problem with family businesses in Serbia, however, to react slowly to changes in the market and that is a little product that is different from the competition. Even that may not be enough if the managerial capacities of the other owners on a similar level as when it began business. For example, if the owner is a good technologist, and forests to produce a product that does not necessarily mean that a good economist and knows the market. Lack of knowledge can be partly compensated by training or by using the services of consultants, but the evil that the market is not enough. The only external associates of family firms are often accountant who serviced in the company, for example, financial management, although the question of how much they are able to do so.

Table 2: Family business in crisis conditions, and SWOT analysis

ADVANTAGES	DISADVANTAGES
Continuity in the conduct of business	Relatively short life: from 5 to 15 percent of family businesses survive until the third generation
Devotion and willingness to work overtime	Poor management, lack of knowledge needed for conducting business, delays in the planning of human resources
knowledge transfer from one generation to another	Overlap of family and business roles, while there is a unity in the family company is alive
The willingness of the owner to invest a profit in the business development	Informal relations slow down the establishment of procedures in the company
The work of family members who are not formally employed in the firm is not registered and does not enter into the calculation of costs	Bad costs management
The possibility of rapid adaptation to changes in the market, the release of earnings that do not make profit	Unfavorable environment in which small "players" have little chance to break through
If necessary, family reserve can be deployed in order for a business to survive	Employment of relatives and friends without the actual need
Chances	Problems
Innovative products, a family company whose product fit in the mass of the others are only capable of survival	A small number of consultants who know to work with family firms, most contractors are family firms Accountants
Good opportunities for new businesses are located, among other things, in the production of food, fast food, small specialty stores. There is considerable space for the opening of small family hotels and pensions, which can combine agriculture, tourism and hospitality	Boss unreadiness when their company fails to pay professional managers, capable of leading a company that is developing, which may in time become shareholders
Reducing costs through more family members, and less employment on the side until the job is not developed	Static and inertness of companies in a market, more traditional than innovative products
Fast adaptation to new circumstances: if, for example, the company has sold the security gates for the new building, with small adjustments it can sell the same product to the older buildings	Although it is well for family business to be shown on the stock market, now is not the best moment for such a step. In addition, a large number of the owner opposes the sale of shares in the company to other partners and late in preparing the company for stock market
Better chance to obtain credit have companies that have products and customers, but those that have no trade market, because the intermediary business will be in the fall	Low level of liquidity, which affects most companies that have "the tiniest" reserves and have to bypass the lack of money with loans
Entrepreneurs themselves and their children need to improve their knowledge and to use consultants for what they can't learn. In the case of larger companies, when business becomes too complicated to be led by the founder, he should employ professional managers.	Family firms have to invest money rational and cautious in investment planning, because good and bad business decisions directly reflects on the family

The problem of insufficient knowledge of more intrusion into the eyes of big companies, because owners are reluctant to give up their managerial authority. Even when his managerial capabilities remain far below the needs of the company, the boss still asks for all time, which the company may also fail. In addition, it makes it difficult

to exit the company and later on the stock market, as potential investors look for companies with professional management, not a "one man show" in which the company owns also the first manager.

Sloga company builds, but was destroyed, could paraphrase proverbs, because international experience shows that the company survives only if the family was unique. Family businesses are often idealized and different ideas about the development of the company and disagreements over the division of profit are common when relatives work together.

Table 3: The world's most successful companies in the family property [6]

POSIT ION	COMPANY	FAMILY	FAMILY SHARE OWNERSHIP (U %)	OFFICE	INCOME (IN BILLIONS \$)
1.	Wal-mart stores	Walton	33	Arizona, SAD	378,79
2.	Toyota Motor Corp.	Toyoda	2	Japan	262,39
3.	Ford Motor	Ford	40	Michigan, SAD	172,45
4.	Koch Industries	Koch		Canzas, SAD	110,0
5.	Samsung Group	Lee	22	South Corea	105,21
6.	ArcelorMittal	Mittal		Luxembourg	105,2
7.	Banco Santander	Botin			89,29
8.	PSA Peugeot Citroen	Peugeot	45	France	89,22
9.	Cargill	Cargill and MacMillan	85	Minnesota, SAD	88,26
10.	SK Group	Chey		South Corea	88,0

The work with the family should get 100 percent committed to, but bear in mind that while the company takes is family harmony. As soon as you start to hit a wedge in, the other in the plate, and when anyone starts to break, the better were scattered abroad, but that the company lost. To successfully operated family company, it is necessary to establish the rules, not only in home but also outside it, because it is usually much more interested in her employment "of a" and there is a risk that the company turns into a social institution. Most in this case suffers from a job because nepotism reduced competence, and increased payroll [4].

Whether it is a production company, a craft shop or store, an entrepreneur one day created a dream with the presence of his successors. That dream, however, make only some, because children often go through different from their parents. You need a lot of patience to heirs continue to work in the family business and that it is only possible if the work is not understood as an obligation, but as a challenge. This decision, they must bring as his and it can not get parental control, but subtle methods, for example, through interviews with the "selected" other people, in which the father does not participate.

The advantage of family firms is that the owners invest a lot of time and energy to learn their successors and to transfer business and life knowledge. On the job, however, they must request that they do not behave as the sons or daughters, but as responsible workers or executives.

Although, in practice, children in the family companies and relatives always have a certain advantage in the employment, market game demands that work must lead the one who can best work, were related or not. For many local entrepreneurs, however, still remains to learn the lesson that the owners of large companies in the world long ago learned. If you estimate that your children do not have the adequate successors, better to look for another job and live to another one their possession in order to make money that will, in any case, go in their pocket.

3. FIRED BECAUSE OF THE CRISIS - A NEW CHALLENGE FOR THE MANAGEMENT OF THE COMPANY

Meet the new challenges that need to be seriously understood. Employers now, more than ever, think about reducing the unnecessary costs in order not to come to the situation that they must reduce the number of employees.

In the situation when thinking about reducing the number of employees has become inevitable, should be taken into consideration the alternative solutions before making a final decision on cancellation - rotation of employees within the company or to consider options with the workers - if you follow that dismissal or reduction of wages, because the time, except for cost reduction, and shows care for employees.

Table 4: Employment policy in family firms: what is in the first place - Business or family?

	Family first	Company in the first place
Employment policy	All family members can be employees in the family company, which threatens to become a social institution for those who can not find work in other ways	Each family member who wants to work in the company must fulfill certain conditions related to education and prior experience
Earnings	All family members are paid equally, regardless of experience and results, because the relatives are expected to care for each other	Family members are paid according to performance and responsibilities, the best make the most, relatives who do not achieve the results can be fired
Personnel policy	The oldest and most experienced family member manages the company, rather than one who is proven as a capable and successful	Company policy is to set the most capable individuals on important positions, whether family or not
Use of company property	Company capital is equally used for personal needs of family members (for the purchase of the apartment, car and personal goods)	Company and family property are strictly separated, and great importance is attached to the budget and planning. Profit is either invested in company or paid as dividend
Training	There is no special training programs, family members spontaneously learn how to lead the company	Members of families are organized and trained on how to manage business

Reducing the number of employees today is more common scenario, that look of your new, and it is happening, especially when it comes to the employment of experts with specific knowledge. Therefore, the increase in productivity should be in place in HR. First time savings can be achieved in the selection of staff.

Because of all the small number of competition and increasing the number of unemployed will be more quality, but more and those who do not meet all the criteria. Recommendations for people from HR are a detailed formulation of the maximum job.

Also, as effective and unclaimed financial tools, can you use software solutions such as software automatic reselection application. It enables to create a questionnaire for candidates, after the competition, the employer receives a list ranking the candidates according to criteria that I set, so that the top candidates who meet the highest requirements of the competition.

Another important way of saving time in the selection of candidates the Internet CV databases that allow that, according to criteria that are important to you, search on the tens of thousands of biographies and contact only those candidates that you make the most interesting.

People who are employed are also under pressure - how to keep your job, how to avoid notice and to give the maximum that someone within the company should recognize. Regardless of the consideration of departure from the current employer, currently becomes a secondary concern, it does not mean that the employer should ignore concerns about the employees, but just the opposite. The crisis is a key period when you need to put emphasis on the improvement of working environment, relations in the team and honesty in communication. Also, considering that in a situation like this all the prize money as less options, you should find an alternative way of motivating and rewarding.

In moments of crisis, everyone must master new skills, and the search and the employees. How much is to have broad knowledge, the current situation dictates the need to deepens knowledge that in the current "use" and are a tool for work that is done, especially in terms of reduced budgets for training.

A lot of work and work processes is needed in order to solve the problem with minimal damage. There is no universal solution, and every company fight the battle as best can. What could "push" the progress is the commitment of the people who work in the company, employees need to understand that they are working as

well for own well, as for good of the company. This makes better chances for better situation that it is in that moment.

4. CONCLUSION

The greatest number of major companies have long prepared plans to respond in crisis situations with clearly defined steps, authorities, responsibilities, response policies and other important tools to successfully overcome the crisis. Lines of responsibility are clear, discipline in the implementation of each step is at the highest possible level and they know exactly who, what, how and why to do it. When the crisis perform, from management and employees are not expected nothing else but to act according to what has already been prepared.

Although any case of the crisis is unique and request a number of specific decisions, responding plans in emergency situations greatly help to reduce stress levels, eliminate confusion and ensure the necessary efficiency in the sanitation of the crisis.

REFERENCES

- [1] Simić Snežana, Izazov ili promašaj, Magazin Biznis, februar 2009. s. 73.
- [2] Pavlović Ivana, Gde je kriza sakrila pare? Preduzeće, februar 2009. s. 22.
- [3] Pavlović Ivana, Njihovih pet minuta, Preduzeće, mart 2009. s. 25.
- [4] Veljović Stevan, Kod kuće je najbolje, Preduzeće, maj 2009. s. 21.
- [5] Knezić Sonja, Otkaz zbog krize, Profit, jun 2009. s. 72.
- [6] Family business magazine.

PROSPECTIVES OF ECONOMIC DEVELOPMENT IN GLOBALIZATION CONDITIONS

Milovan Dimitrijević

MIN Holding Co., Šumadijska 1, Niš, SERBIA, e-mail: mildim@yahoo.com

Summary: After an impressive wave of market reforms and increasing openness of developing countries during 1990s, there came acceleration of technological progress and strengthening of macroeconomic ambient stability. All this resulted in long-term economic growth prospective for developing countries to become relatively certain. High deficit of current transactions is the basic canal for high exposure of Serbia to further effects of the world crisis. Domestic demand cannot be met by domestic supply, i.e., production. As the consequence of that, the current transactions deficit was increasing during the passed years in conditions of very favourable global financial conditions (foreign credits and investments). Foreign finance in the new circumstances is limited and expensive, while the big inflow of foreign direct investments is not expected. Refinance of the existing credits installments of the economy and the state will be limited in 2009. The economic development prospectives in globalization conditions depend, in the first place, from economic policy efficient responses and realistic goals, in terms of the existing crisis with creating conditions for foreign capital investments expansion. Economic policy responses to the existing crisis are indispensable because of: not finished process of restructuring and privatization, necessity of funds and banks capital investments, integration pre-accession solutions faced by national companies and national economy of Serbia. The economic policy goals to be carried out in the period from 2009 to 2011 under the influence of the world economic crisis will be: sustainable economic growth, increase of employment, population living standard increase, and more even regional development. Necessary conditions for realization of the mentioned macroeconomic goals are: fixing macroeconomic stability, investment in fixed assets, building of modern energetic, communication (traffic) and information infrastructure. The basic presumptions for realization of the stated goals are speeding up of European integrations and speeding up of structural reforms carrying out. The main limitation for realization of defined economic policy goals is the world financial crisis which caused recession in a big number of countries, of mainly leading world economies. Global economic crisis has already been transferred to the economy and finance of Serbia and will impact lagging of the economic growth in Serbia.

Keywords: economic crisis, market reforms, projections of economic and foreign trade trends growth basic indicators, economic development, developing countries

1. INTRODUCTION

After an impressive wave of market reforms and increasing openness of developing countries during 1990s, there came acceleration of technological progress and strengthening of macroeconomic ambient stability. All this resulted in long-term economic growth prospective for developing countries to become relatively certain. If these projections show to be correct, the increasing base may lead to significant poverty reduction. However, this growth will not be sufficient to overcome all critical poverty points worldwide. At the same time, financial imbalance and variability of international capital flows continue to present a real for possible continuous growth. Vulnerable countries will have benefit from debt reduction, in their endeavours to achieve a higher growth.

According to the World Bank forecasts, it is expected that growth acceleration in the developing countries coincides with the increase of the investment ratio. The savings levels should also increase, generally driven by decreasing share of young population and needs of the older population to save as much as possible during their retirement.

Trends in the counter direction are expected in industrial countries, in which strong drop of the population increase will negatively impact the investment ratio [1, pp. 27-28].

These changes in global savings and investment behaviour raise questions related to the critical role of financial integration and needs for improvement in international financial mediation.

The growth of developing countries, in regard to the number of population, has been projected to more than 100% during the ten-year period, from 2005 to 2015, when indicators from 1990 are used for comparison (Table 1). This projection points out to the prospective of significant growth improvement for Europe and Central Asia – leaving behind it a severe contraction, the transition towards the market economy during 90s, was characterized by, and Sub-Saharan Africa. For Africa, the scenario foresees continuation of a strong trend towards more quality state administration and improved economic policies, as well as advancement in the direction of solving the shortcomings in the agricultural production and its diversification, and its dependence from raw materials export.

At the same time, the lack of the human resources, poor infrastructure, and epidemics, remain as problems which continue to make a corresponding negative pressure and make strategic programmes and long-term forecasting more difficult.

It is expected that population growth per capita in the Latin America be increased for 1% per this scenario, bit as a result of slowing down of population increase. In that sense, the real growth increase, GDP will be relatively small. It is expected that the Latin American countries will benefit from reformistic aspirations in the years to follow, further improving the competitiveness and maintaining the established macroeconomic stability. The East Asia and Pacific region should record declining growth of domestic product per capita from 6.4% in 1990 to 5.4% in the longer future period with maturity of economies and accelerated growth options becoming less productive. For GDP growth per capita in the rest of the world (South Asia, Middle East, North Africa, as well as developed countries), it is foreseen to be marked with moderate growth [1, pp. 32].

Regarding porognoses in regard to the poverty level, the World bank analysis indicates the poverty rate of 13.3% in 2015, as compared to 29.6% in 1990. The number of poor people will drop to 809 million in 2015, from 1.3 billion in 1990 and 1.1 billion in 1999 [1, pp. 29].

When prognoses are viewed in the sphere of demographic development in the world, it is noted that the developed countries population structure is getting older and older, which is the result of the negative increase in the population. However, if such prognoses have been expected, to the certain extent, for the developed countries, the analysis of the developing countries point out to relatively sharp drop of percentage of the young, just like the moderate growth in the number of the older population. All this indicates that these trends may significantly impact the savings rate, reducing it in the rich countries due to high percentage of the old population.

Table 1: Long-term estimation of the real GDP per capita till 2015. [1, pp. 30]
(changes have been presented in % in regard to years shown in the table)

Countries, communities, unions, groups economy	Effectuated GDP		Forecasting Scenario	
	Previous period		Mid-term	Long-term
	1980s	1990s	2001-05	2006-15
Total in the worlds	1.3	1.2	1.1	2.1
Countries with high income	2.5	1.8	1.5	2.4
OECD	2.5	1.8	1.5	2.4
USA	2.2	2.2	1.6	2.4
Japan	3.5	1.2	0.4	2.0
European Union	2.1	1.7	1.9	2.4
Countries not within OECD	3.3	3.6	1.7	3.3
Developing countries	0.7	1.6	2.4	3.5
East Asia and Pacific	5.6	6.4	5.1	5.4
Europe and Central Asija	0.7	-1.9	3.3	3.4
Latin America and Carribean	-0.9	1.6	0.3	2.6
Middle East and North America	-0.6	1.0	1.3	1.3
South Asia	3.4	3.3	3.5	4.0
Sub-Saharan Africa	-1.2	-0.4	0.8	1.6

Although there are clear proofs that economic growth in the future will be continued in this long-term scenario, the uncertainty degree, in terms of this projection, is high. It must be admitted that these trends (in the analysis of the World Bank as of 2002) require good economic policies, because many developing countries are still subject to big shocks risk. National governments, and, in the first place their economic section, may significantly contribute to absorbing of possible global economic shocks.

It should be outlined that the possible change in the savings level, as well as in the investment base, will have consequences on capital trends. Abrupt turning points in capital trends are quite probable, because FDI's are spreading to the growing markets in the developing countries and because the financial agents in the developed countries ask to make diversification of their portfolio. These capital trends will result in further international

financial integration. Because the history of financial integrations has not been fully and happily established yet, and does great harm to general economic growth and poverty reduction in certain periods, the international community and developing countries will have to look for a mechanism which will promote bigger stability during the integration process of countries into the emerging global society in which global management is more and more becoming the reality.

2. PRESUMPTIONS OF THE GLOBAL ECONOMIC ENVIRONMENT BASIC INDICATORS

According to the IMF Report for the year 2008, the real growth of the world economy in 2007 was 5%, while in EU it was 3.1%, which is the better result compared to the previous period. In 2008 the economic growth was slowed down, 3.7% on the global level, in that, it is predicted even greater slowing down of growth in EU (1.5%) and USA (1.4%).

The world economy growth rate in 2009, as estimated by the IMF will be 2.2%, and in 2010, 4.6%. In that, in EU countries and USA, the economic activities drop will occur in 2009 for 0.2% and 0.7%, respectively. The growth of economy of EU countries in 2010 is estimated to 2.8%, while the economic growth in USA will be 2.3% in 2010.

Table 2: International environment - macroeconomic indicators [2]

Growth / Countries	2007	2008	2009	2010
Actual growth of the gross domestic product, in %				
* World - total	5,0	3,7	2,2	4,6
* European Union	3,1	1,5	-0,2	2,8
* USA	2,0	1,4	-0,7	2,3
World trade growth	7,2	4,6	2,1	7,1
Consumers prices, annual changes, %				
* European Union	2,4	3,9	2,4	2,1
* USA	2,9	4,2	1,8	2,1
Oil prices growth, in dollars, annual changes,%	10,7	40,2	-31,8	...

The growth of the world trade in 2008 amounted to 4.6%, and in the next two years the growth is estimated at rates of 2.1% and 7.1%, respectively.

Inflation in EU recorded the growth of 3.9% in 2008, and in the next two years it is estimated to be on the level of 2.4% and 2.1%, respectively. In USA there was recorded the higher inflation, namely of 4.2% in 2008, expected inflation of 1.8% in 2009 and 2.1% in 2010.

According to estimations of IMF, it is expected that in 2008 the crude oil prices in the world market will increase for 40.2%, and that in 2009 it will decrease for 31.8%.

Based on the announced data of the European Commission for EU member countries and candidate countries, the position of Serbia may be clearly seen in regard to the neighbouring countries. It is evident that the GDP growth will be slowed down in 2009 and 2010 in all viewed countries, and that Serbia will be on the level of the regional average as per planned GDP growth. The inflation will be particularly high in Bulgaria and Serbia. The unemployment rate in Serbia is high even after eight years of transition due to a series of layoffs and not completed restructuring of public enterprises. With the exception of Macedonia, it is only Serbia with the unemployment rate of almost 20%, while other countries unemployment rate is lower than 10%. In 2008, Serbia recorded the greatest deficit of current accounts, measured according to share in GDP. Serbia and Bulgaria have the greatest current accounts deficit share in GDP, which will not be improved, compared to the countries of the region. With exception of Hungary and Croatia, Serbia would be below the average according to this category, as well, because the debt denomination in the foreign currency, the missed opportunity to develop the domestic market of the state securities, evident depreciation of domestic currency, planned new indebtedness for finance of the state investments in foreign currency will lead to moderate drop of public debt share in GDP. In this category, in the comparative view, Serbia should improve its position in the period to come.

The expected slowing down of the world economy and world trade growth in the following mid-term period, particularly economic activities in EU countries, will strongly impact the economic trends in Serbia. Trends in the countries which have a big share in visible trade with Serbia, representing its main foreign trade partners will have the particular impact.

Table 3: Regional environment — macroeconomic indicators [3]

Categories	Countries	2007	2008	2009	2010
GDP growth	Bulgaria	6,2	6,5	4,5	4,7
	Romania	6,0	8,5	4,7	5,0
	Hungary	1,1	1,7	0,7	1,8
	Croatia	5,6	3,5	3,0	4,0
	Macedonia	5,1	5,5	4,6	5,0
	<i>Serbia</i>	<i>7,1</i>	<i>6,0</i>	<i>3,5</i>	<i>4,5</i>
Inflation	Bulgaria	7,6	12,4	7,9	6,8
	Romania	4,9	7,8	5,7	4,0
	Hungary	7,9	6,3	3,9	2,9
	Croatia	2,9	6,5	4,5	4,0
	Macedonia	2,3	7,0	3,5	2,7
	<i>Serbia</i>	<i>11,1</i>	<i>8,2</i>	<i>7,2</i>	<i>6,2</i>
Unemployment rate	Bulgaria	6,9	6,0	5,8	5,7
	Romania	6,4	6,1	6,4	6,1
	Hungary	7,4	8,1	8,6	8,5
	Croatia	9,6	9,2	9,0	8,7
	Macedonia	34,6	33,3	32,3	31,0
	<i>Serbia</i>	<i>18,8</i>	<i>18,8</i>	<i>19,0</i>	<i>18,7</i>
Current accounts balance (%GDP)	Bulgaria	-22,5	-23,8	-22,3	-21,5
	Romania	-13,9	-13,5	-13,0	-12,6
	Hungary	-6,4	-6,3	-5,1	-5,5
	Croatia	-8,6	-10,5	-10,2	-9,4
	Macedonia	-	-12,1	-10,0	-8,4
	<i>Serbia</i>	<i>-14,7</i>	<i>-18,3</i>	<i>-16,3</i>	<i>-15,7</i>
Gross debt (%GDP)	Bulgaria	18,2	13,8	10,6	7,9
	Romania	12,9	13,4	15,4	17,1
	Hungary	65,8	65,4	66,0	66,2
	Croatia	37,7	35,8	35,4	34,3
	Macedonia	25,4	23,2	23,0	22,8
	<i>Serbia</i>	<i>31,3</i>	<i>30,0</i>	<i>28,6</i>	<i>27,5</i>

Table 4: Serbian export and economic growth of its most important trading partners [4]

Countries	Export in 2007		Economic growth		
	Amount in mil. EUR	% from total Serbian export	2008	2009	2010
Italy	799,5	12,4	-0,2	-0,6	1,3
Bosnia & Hercegovina	759,4	11,8	5,5	5,0	4,0
Montenegro	691,8	10,8	7,5	5,0	4,0
Germany	684,0	10,6	1,7	-0,8	1,7
Russian federation	326,0	5,1	6,8	3,5	5,5
Macedonia	318,1	4,9	5,5	5,0	4,0
Slovenia	298,3	4,6	4,3	3,7	3,7

Serbia realizes 60.2% export to seven countries indicated in the previous Table. Having in mind the high level of relatedness of Serbian economy to economies of these countries, the economic trends in these countries will be reflected in the Serbian economic trends. According to IMF projections, there is expected a moderate slowing down of economic growth in the countries being the most important Serbian partners.

3. PLANNED EXPECTATIONS OF FOREIGN TRADE TRENDS

In the upcoming mid-term period, and due to the global recession and oil price drop, the foreign trade in 2009 should record negative growth rates, -4.8% goods export decline and -5.4% drop of goods import in EURO currency, which should decrease the deficit of current account for 2 percentage points.

In 2010 and 2011, the recovery of goods export and import should be effected and relatively high growth rates of 13% and 8% achieved on the average a year in Euro currency, respectively.

In the upcoming three-year period, there is expected the current account inflow on the grounds of current transfers, as well as the outflow, on the grounds of factor payments. The most important component in the current transfers are remittances and retail savings income, while within the factor payments, the key outflows are on the grounds of foreign credits interest payment. It is estimated that the current transfers in 2009-2011 period will amount, on the average, to 3.0 billion Euro per annum. In the future period, it is expected to have a negative balance on the grounds of net factor payments, that is: 1.004 billion Euro in 2009, 1.075 billion Euro in 2010 and 1.152 billion Euro in 2011. The increase in payment balance of this category will be based primarily on the increase of the corporative sector foreign debt servicing costs and secured debt of the state. In projection of the net factor payments it is presumed that in the years to come, there will not be significant capital outflow from Serbia on the grounds of foreign companies profit withdrawal, i.e., it is presumed that the foreign companies would reinvest the gained profit in Serbia, similar to their practice in previous years.

Net effect of current transfers (which includes the foreign currency savings increase) and net factor payments in the future three-year period will be positive (i.e. there will be achieved the surplus) and stable, and estimated to amount to cca. 2 billion Euro per annum. Current transfers and factor payments net surplus balance will also cover a significant part of Serbian foreign trade balance deficit in future, as it was the case in the past.

4. CONCLUSION

Global economic crisis is going on. The professional public opinion is unique in the sense that nobody will avoid it and it is the fact that it is hard to predict how long it will last.

Prospectives of economic development in globalization conditions depend, in the first place, from efficient responses and realistic goals of economic policy for the upcoming crisis, going along with creating conditions for foreign capital investment extending.

The initial forms of global economic crisis are not the same in Serbia and in other countries, but its consequences will impact almost all macroeconomic indicators, unless conditions are provided for FDI, both through privatization and in the form of greenfield investments, which could compensate for the loss of export potentials and jobs. It is necessary to additionally intensify the measures and activities of the national strategy for FDI attracting, in order to overcome their stagnation, absence during 2009, by accelerating privatization finalization and increasing the level of investments security in spite of the global economic crisis reflections.

Not finished legal framework for attracting investors and lack of institutions for FDI policy creating and carrying out endanger the results in conditions of economic crisis, more than in the previous period, because at that time, FDIs were the result of not impacted capital logics. Now we need active measures, stable legislative framework in the longer run, and efficient institutions for FDI attracting on all levels, the national, regional and local.

REFERENCES

- [1] World Bank, *Global Economic Prospects and the Developing Countries 2003*, Washington D.C.: World Bank, 2003.
- [2] MMF, *Svetski ekonomski pregled*, novembar 2008. godine. Preuzeto iz IMF, World Economic Outlook, oktobar 2008.
- [3] Evropska komisija - Ekonomske projekcije, novembar 2008. godina; MFIN za procenu indikatora za Srbiju
- [4] RZS, IMF, World Economic Outlook, October 2008.
- [5] Kostadinović S., *Međunarodno privredno pravo*, Birografika, Subotica, 2005.
- [6] Radosavljević Ž., *Trgovinski menadžment*, Centar za edukaciju rukovodećih kadrova, Beograd, 2006.
- [7] Vlada Republike Srbije, *Memorandum o budžetu i ekonomskoj i finansijskoj politici za 2009. godinu, sa projekcijama za 2010. i 2011. godinu*, Beograd, 2008.

ROLE AND SIGNIFICANCE OF FINANCIAL REPORTING IN BRINGING QUALITY BUSINESS DECISIONS

Rifet Đogić¹, Denana Čolaković²

¹ University in Zenica, Faculty of Economy, Zenica, BOSNIA AND HERZEGOVINA,
e-mail: rifetd@yahoo.com

² Business Service Centre of Government of Zenica-Doboj Canton, BOSNIA AND HERZEGOVINA,
e-mail: govern@bih.net.ba

Summary: Financial reporting provides information about financial position, efficiency and changes of financial position of the company, which is useful to wide range of users in bringing economic decisions. Financial reports prepared for this purpose satisfy ordinary needs of the majority of users. But, financial reports do not give all information necessary to the users for bringing economic decisions, since they mainly give image of financial effects of previous events and they usually do not provide non-financial information. This work is supposed to indicate the role and significance of financial reporting in bringing quality business decisions.

Key words: quality business decisions, financial reports, goals of financial reporting, users of financial reports, quality of financial reports.

1. INTRODUCTION

The system of financial reporting is very important in making quality business decisions. Financial reports of the companies could be used for different purposes: as the source of information on company's performances, it's financial health and profitability, as analytical tool for projecting future performances and perspectives, as early warning signal on company's perspective and as a measure of the management's responsibility. Financial reports play vital role in ensuring efficient capital allocation towards most profitable and most perspective companies. Such capital allocation increases security of the investors, encourages investing and contributes liquidity of the stock exchange market. Finally, financial reports are used in order to assist the investors in making better economic decisions. Consequently, financial reporting is of great significance for decreasing informational asymmetry and for efficient functioning of the capital exchange market.

Thus, basic intention and purpose of the financial reports creation and presentation is to satisfy informational needs of wider range of the such reports existing and potential users: shareholders and other investors, current and potential creditors, suppliers and other commissioners, buyers and users of the services, employees, etc. as well as public in general. The goal of the financial reporting is to ensure relevant, correct and reliable pieces of information to all those who have, for any reason and in any role, been interested or might be interested in data on financial status, business results and cash flows of the reporters. The information from financial reports for all of them represents the ground for making business and other economic decisions.

It is necessary to follow certain principals representing the criterion that must be met in creation and presentation of financial reports. Thus, there are basic qualitative characteristics of the pieces of information contained in the financial reports: 1) *understanding*; 2) *relevance* (significance); 3) *reliability* (that includes the principles of: truthful presentation; content before the form; neutrality, carefulness and completion); 4) *comparability* (both with previous financial reports of the same subject and with the financial reports of other subjects).

Financial reports must be composed in accordance with the proper accounting principles and standards serving as guidelines in the accounting of specific elements of the financial reports and in the creation of the financial reports. It is assumed that the data contained in financial reports are objective and realistic, and this is confirmed (or not confirmed) by the auditor's opinion, i.e. independent authorized public accountant. Without the verified

objectivity and correctness of financial report, the meeting of the financial reporting goals could not really be considered.

In order for financial reports to meet their purpose, it is important to stress out their quality expression. The quality of financial reports is expressed through the qualitative characteristics of the pieces of information presented to the users. The quality of the accounting information is considered at two levels, thus there are two levels of the quality: primary and secondary quality. At the level of the primary quality, the information is useful in the process of the business decision making if it is relevant (important) and reliable. At the level of the secondary quality, the information is useful in the process of the business decision making if the condition of comparability and consistence is met.

2. THE FINANCIAL REPORTING GOALS

Accounting system, as the most important part of the informational system of the company, can be described as the process of collection of the financial data, their processing and creation of the financial reports directed to the decision makers (see the Figure 1.). Consequently, *the goals* of the financial reporting must satisfy informational needs of the *users* of the financial reports, i.e. first of all the decision makers.

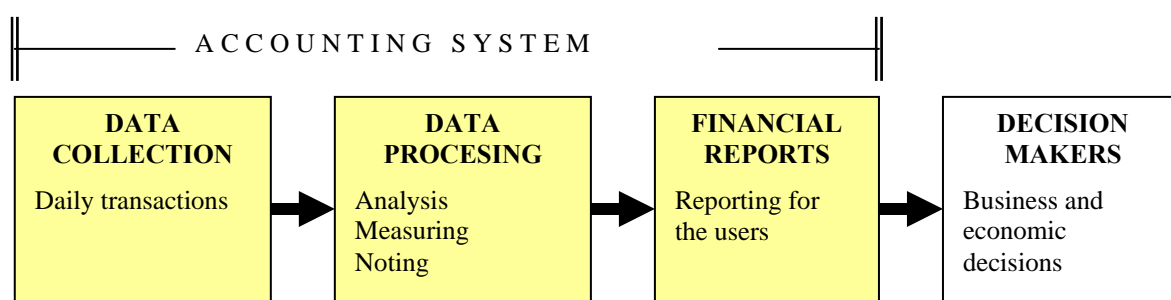


Figure 1: Information flow in the accounting system

The problems of the financial reporting goals are also carefully treated of in the American practice. **FASB** – Financial Accounting Standards Board has found in 1976. some solutions that are very interesting for our conditions too. According to these solutions, three basic goals of the financial reporting were identified as follows:

- Financial reporting must ensure useful pieces of information to the current and potential creditors and investors, and to the other users for the purpose of the making rational decisions on investing, crediting, etc. The information must be understandable to all users.
- Financial reporting must ensure pieces of information that will assist current and potential investors and creditors and other users to estimate the amount, time and risk of the future earnings from dividends, interest rates, selling, etc. Thus, the information on cash flow must be provided.
- Financial reporting must ensure pieces of information on economic resources of the company, function of these resources and the way of the usage, the transactions effects and change of the resources, the need for the additional resources, etc. [1].

Therefore, there are three basic goals while the first one is oriented to the investors and creditors, the second one to the cash flows and the third one to the company's resources, their usage and change. These basic goals of the financial reporting can be divided to the numerous of the sub-goals. However, in the back of all these goals are some of the financial reports. Reaching the goal of ensuring the information on economic resources is achieved by the balance sheet. Through the earning report, i.e. earning and loses account (balance of the success), the information on the financial result is provided. Cash flow report is used for the provision of information on resources and usage of the cash. The information for the purpose of the control is grounded on all three reports, and for the explanation and interpretation of information, the other financial reports are necessary (e.g. report on the changes of the ownership capital and notes accompanying the financial report). In order to meet all set goals, it is necessary that the financial reports are made in accordance to the proper accounting principals and standards serving as the guidelines in accounting specific elements of the financial report and in the creation of these financial reports.

The issue of the financial reporting goals is discussed in the Framework for creation and presentation of the financial reports of the International accounting standards, where is emphasized: "The goal of the financial reports is to provide the information on financial position, success and the changes of the financial position of the company, that is useful to the wide range of the users in making economic decisions. Financial reports prepared for this purpose are satisfying usual needs of the majority of the users. However, financial reports do

not provide all pieces of information that the users might need in making economic decisions, since they usually provide the picture of the financial effects of the previous happenings and usually do not provide non-financial information." [3]. Meeting the mentioned goals is enabled by preparation of the proper financial reports. It was already emphasized that the balance sheet is oriented to the information on financial position, report on earning (earning and losses account), information on corporative success, while the information on cash flows are located in the cash flow report. In connection to that, it is important to emphasize that no goal can be reached by discussing only one financial report, but that the financial reports should be elaborated as parts of the unique report. Besides these three most often mentioned basic financial reports, for the purpose of the identification of the company's business, it is necessary to use other financial reports too, including the notes. It is assumed that the data contained in the financial reports are objective and realistic, and this is confirmed (or not confirmed) by the opinion of the auditor, i.e. by independent authorized public accountant. Without the verified objectivity and correctness of financial report, the meeting of the financial reporting goals could not really be considered.

3. THE USERS OF THE FINANCIAL REPORTS

The accounting is user oriented (different stakeholders) and thus it must satisfy their expectations. It must ensure different pieces of information to the users that they need for various purposes and consequently one can say that the accounting is the „*language of business*“ [4]. The accounting pieces of information are usually presented in the form of the financial reports. The most important users of the financial reports are, first of all, investors and creditors, either current or potential investors and creditors, as well as managers of the companies. [5]. However, there are numerous users that are usually divided into the two groups: external and internal users. The most important external and internal users of financial reports are shown in the figure 2. Besides the users shown in the figure 2. there are also many other users of information processed in the accounting.

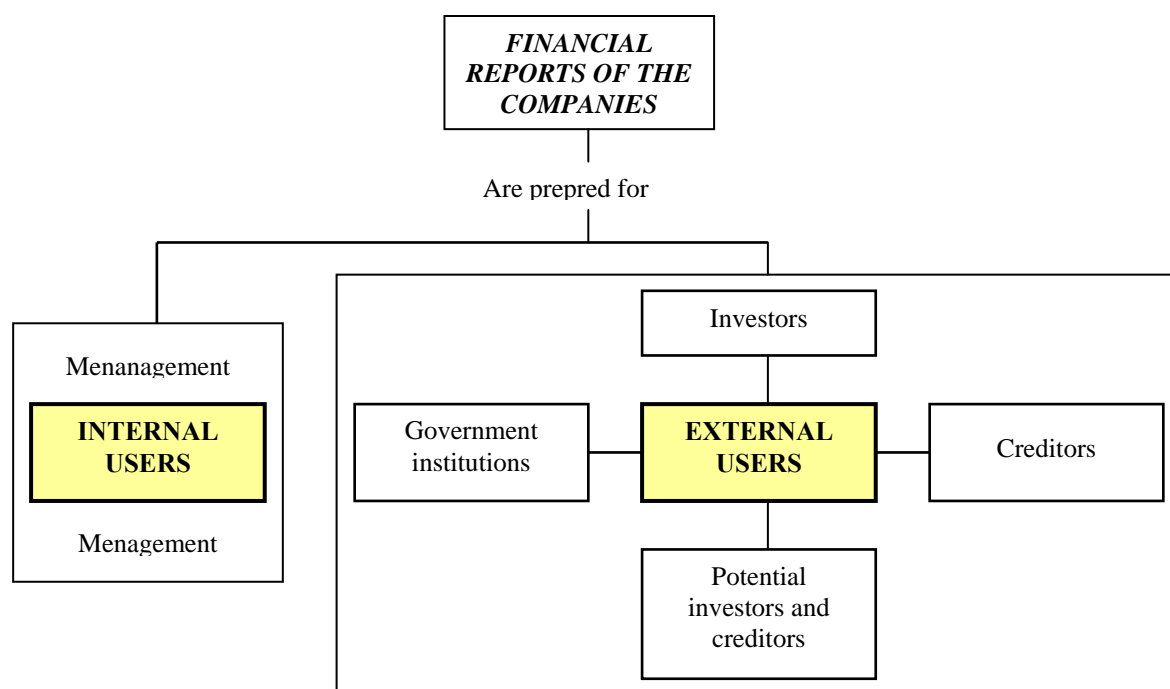


Figure 2: Financial reports users

The companies' owners and other potential investors are interested in information on effectiveness (return rate) of the investments connected to the investment risk. Additionally, potential investors and creditors are interested in information on company's intrinsic value. The information on company's intrinsic value is also of interest for all current and future business partners and competitors. For instance, short term creditors will be, first of all, interested in company's liquidity and short term cash flow evaluation. An important user of the financial reports is also government directing entire state economy by the economic policy measures. Furthermore, the government is also interested in company's financial reports because of the tax policy. Entire society, i.e. public, is interested in the financial reports of the companies, especially if these are the public companies in question. A specific user of the financial reports is the union taking care of employees and the level of their salaries. Analyzed from the aspect of the accounting profession, very important user of the financial reports are also

different sector organizations and accounting associations. In this group of the users, especially are important authorized public accountants that, first of all, deal with the auditing issues.

The management of the company, as the most important internal user of the financial reports, is responsible for everything written in the financial reports and is interested in all categories of information in financial reports. This is absolutely natural knowing that the management must ensure the growth and the development of the company, proper rewards to the owners (dividends), contracting fee to the creditors and investors, proper salaries to the employees, taxes paid to the state, etc. In deliberating the business of the companies, very often is emphasized the traditional conflict between the owners and the managers. But, the managers are not a special “neutral technocracy”, they are the most active and the most influential part of the ownership class. In most part, they themselves are big share holders. The conflicts occur between the managers and the small owners, rather than between the managers and the big owners. This specifically refers to the conflict about the dividends, because both managers and the big capitalists are interested in reinvesting of profit for the purpose of the economic strengthening of the corporation and increase of it’s capital value. Pursuant to that, as well as under the aspect of the financial reports, it can be concluded that the division of the users to the external and internal ones would not be taken very strictly because the same person can be at the same time both external user (owner) and internal user (manager). When we deal with the businesses of the corporation, it is usually not the case because a single small owner possesses only formal managerial power.

The financial reports users could also be the employees in the company. First of all, they are interested in the salaries level and security of employment. The modern economic conditions require involvement of all employees in all processes in the company thus the information, authority and strategic planning need to be decentralized. Therefore, it is emphasized that the employees in the company need to be involved into the management. In that sense, one person comprises two users here too. Additionally, there are no obstacles for employees to buy the shares of the company in which they work and, in that way, they are becoming the owners of the part of the company. To that end, American practice allows possibility of the limited allocation of the property to the employees in the company. In this case, theoretically, one person comprises minimum of three users of financial reports.

In our previous practice (before the year 1993), the issues of the financial reports and, in general, of the accounting information, were, by the rule, limited to the prescribed forms presented uniformly, intended to all the users despite to their specific needs and requirements. The users were expected to select data and information “in the bunch of papers” suitable to their needs. On contrary, modern accounting is user oriented. Through the feedback, on the figure 3, is emphasized that the financial reports must be adjusted to the users needs. In accordance to their goals, they are deciding what is important, and the accounting must adjust the data collection, their processing and financial reports preparation to the users’ requirements. This is the only way for the accounting to justify its existence and to be an useful function in company’s business. Only if the accounting and financial reports as “the most important product” of the accounting are adjusted to the requirements of the users, there could exist the accounting as the most important part of the informational system of the company.

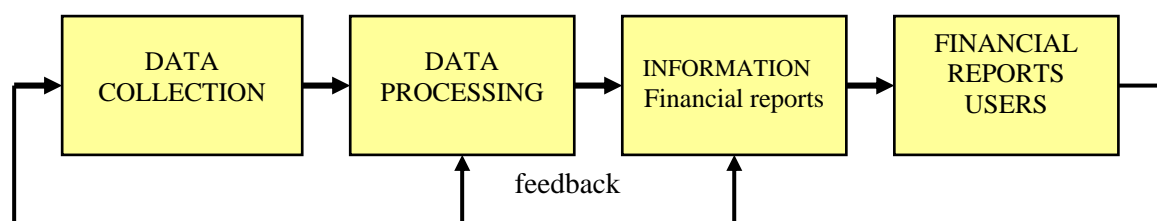


Figure 3: Connection between the financial reports and users

4. EXPRESSION OF THE FINANCIAL REPORTS QUALITY

The financial reports quality is expressed through the qualitative characteristics of the pieces of information presented to the users. That is why the issues of the financial reports quality should be considered in the context of the quality of the accounting information. The hierarchy of the accounting information quality is shown in the figure 4. The picture shows that the accounting information quality is considered in the context of the accounting information users, therefore the information is quality if it is useful in the process of the business decision making.

The accounting information quality is considered at the two levels, thus there are two quality levels: primary and secondary quality. At the level of the primary quality, the information is useful in the process of the business decision making if it is relevant (important) and reliable. Thus, the information is relevant if it has the prediction value (predicting the future), the feedback value (correction of the ongoing processes) and if it is timely because

“the old” information has only historical meaning. On contrary, reliable information is the one that can be proved, is impartial (objective) and is truthful (realistic).

At the level of the secondary quality, the information is useful in the process of business decision making, if the condition of the comparability and consistence is satisfied. In connection to the issues of comparability, it is important to emphasize that the time comparability is assumed (comparison during certain period) and space comparability (comparison with the other companies). The requirement of the consistency is linked to the issues of the time comparability and requires consistent application of the adopted procedures and models in noting the business changes and in the composition of the financial reports.

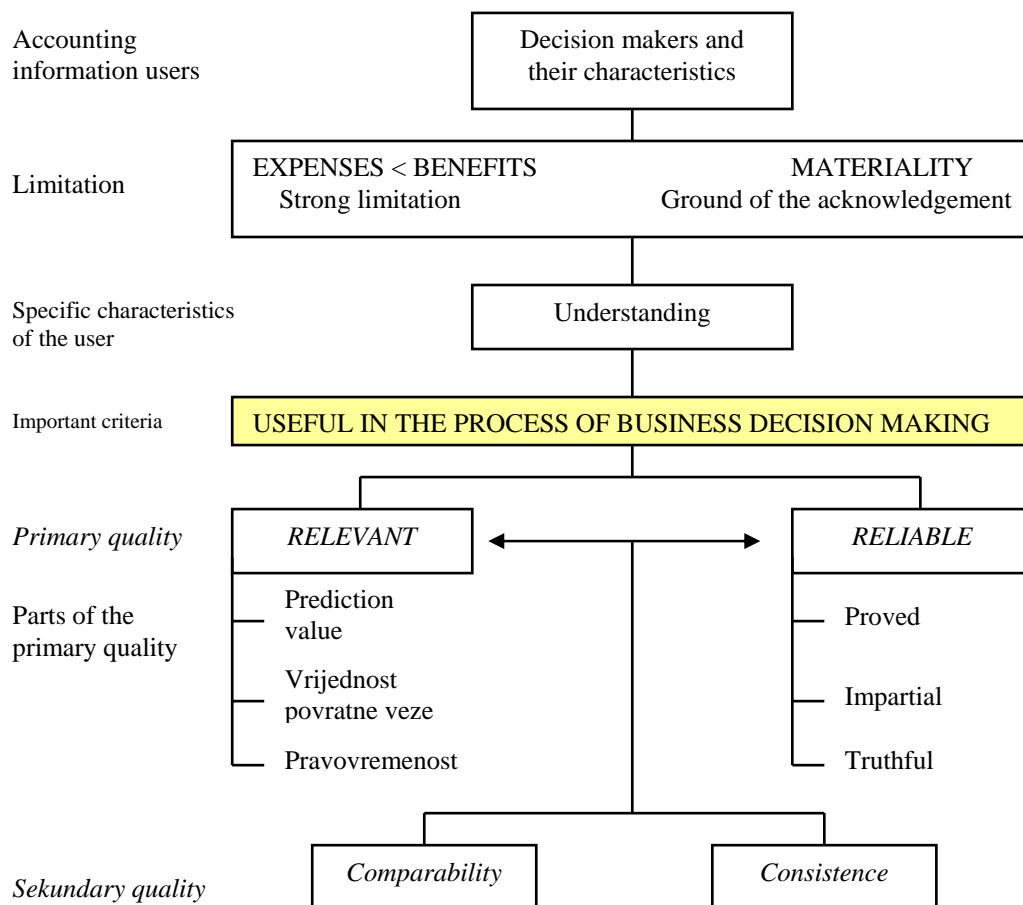


Figure 4: Hierarchy of the accounting information quality

The issue of the financial reporting quality is also considered in the *Framework for composition and presentation of the financial reports* in the introduction part of the *International accounting standards*. Qualitative characteristics are the characteristics that the information presented in the financial report make useful for the users. There are four of such principal qualitative characteristics: understanding, importance, reliability and comparability. [6].

Understanding means that the financial report is composed in the way that is understandable to the users. The *importance* is considered to be the benefit of the information contained in the financial reports in the process of making the business decisions. In connection to the issue of the information importance, *significance* is considered too, meaning that the information is significant if it's absence or incorrect report might affect users' economic decisions made on the ground of the financial reports. In the context of the information reliability, the following requirements are set: 1) truthful presentation, 2) content before the form, 3) neutrality, 4) carefulness, 5) completion.

The next important qualitative characteristic of the financial reports is comparability (time and space). In connection to the qualitative characteristics of the financial reports, the importance limitations and the information reliability are also considered. The important requirements are the following ones: *to be timely* (the speed of the reporting decreases the reliability), balance between the *expenses and benefits* (the benefit resulting from the usage of the new information must be greater than the expenses related to the preparation of the information) and balance *between the qualitative characteristics*.

5. CONCLUSION

At the end, one can conclude that the financial reporting plays very important role in making the decisions of all interested stakeholders. Financial reporting must ensure usable pieces of information for present and potential creditors and investors, as well as for other users for the purpose of making rational decisions on investing, crediting etc. The information must be understandable to all users. Besides that, financial reporting must ensure information that will assist the current and potential investors, creditors and other users in the process of estimation the amount, the time and the risk of the future earnings from dividends, interest rates, etc. Furthermore, financial reporting must ensure the information on company's economic resources, the function of the resource and the way of their usage, effects of the transactions and change of the resources, the need for additional resources, etc. However, in the back of all these goals is one of the financial reports. Thus, the goal of provision of information on economic resources is being met through the balance sheet. Through the balance of success, the information on financial result is provided. To obtain the information on sources and usage of the cash, it is necessary to use cash flow report. The pieces of information for the purpose of control are grounded on all three mentioned reports, while for the purpose of the explanation and interpretation of information is also necessary to have other financial reports (e.g. the report on the change of the property capital and the notes accompanying the financial reports). It is assumed that, for the purpose of meeting all mentioned goals, is necessary that the financial reports are composed in accordance to the proper accounting principles and standards serving as the guidelines in the accounting specific elements of the financial reports and in the composing the financial reports.

The quality of the financial reports is expressed through the qualitative characteristics of the pieces of information that they are presenting to the users. The quality of the accounting information is considered at two levels, thus there are two quality levels: primary and secondary quality. At the level of the primary quality, the information is useful in the process of the business decision making if it is relevant (important) and reliable. At the level of the secondary quality, the information is useful in the process of the business decision making if the condition of comparability and consistence is met.

REFERENCES

- [1] Flamholz, E. G.; Diamond, M. A. & Flamholz D. T.: *Financial Accounting*, Macmillan Publishing Company, New York, 1986, p. 154.
- [2] For more details see Gulin, D. & Žager, L.: *Financial analysis for the purpose of the transformation of the socially owned companies*, Progres, Zagreb, 1991, p. 35.
- [3] *International accounting standards 2000*, translation from English language, HZRFD, Zagreb, 2000, p. 42.
- [4] Wilson, M. S. & McHugh, G.: *Financial Analysis: A Managerial Introduction*, Cassell Educational Limited, London, 1987, p. 10.
- [5] Smith, L.; Keith, R. M. & Stephens, W. L.: *Financial Accounting*, McGraw-Hill Book Company, New York, 1988, p. 5.
- [6] *International accounting standards 2000*, quoted part, p. 45.

THE ROLE AND SIGNIFICANCE OF THE INTERNAL CONTROL SYSTEM IN DESIGNING THE INTERNAL SUPERVISION SYSTEM AND RISK MANAGEMENT

Rifet Đogić¹, Đenana Čolaković²

¹ University in Zenica, Faculty of Economy, Zenica, BOSNIA AND HERZEGOVINA,
e-mail: rifetd@yahoo.com

² Business Service Centre of Government of Zenica-Doboj Canton, BOSNIA AND HERZEGOVINA,
e-mail: govern@bih.net.ba

Summary: Today's companies work in the global turbulent surrounding of very intensive market orientation and private ownership over the production means. In order to meet the financial goals set by the capital owner, the companies' management is trying to maximize the company's own strengths and chances from the surrounding and at the same time to minimize own weaknesses and threats from the surrounding, respecting the business risks in planning and making business decisions. In such circumstances of doing business, the internal supervision system is becoming more important. The main component of the internal supervision system is the internal control system shaping management and assisting it in meeting the company's goals, as follows: 1) reliability of the financial reporting, 2) adjustment – of the doing business with the laws and other regulations, 3) efficiency and effectiveness of the business operations, 4) property protection and 5) completion of the program's formulated plans. This paper should exactly point out the role and the significance of the internal control system in the overall system of the internal supervision.

Key words: internal supervision system, internal control system, internal auditing, controlling, risk management.

1. INTRODUCTION

The basic goal of the capital owners is the long term profit generation. That goal is met if the company's management is succeeding to ensure the long term effectiveness and efficiency as the main characteristic of the company's competitive capability. Certainly, the long term effectiveness and efficiency are the consequence of the management success to adjust the company they manage to the current and future surrounding. For the purpose of the successful adjustment to the surrounding, it is necessary to know the characteristics of the surrounding. Additionally, it is necessary to identify the chances and threats in the surrounding, as well as the strengths and weaknesses by usage of the internal analysis. The results of such analysis are the ground for the proper company's positioning in the surrounding and creation of its sustainable competitive advantages. In order to find and maintain such position of the company in relation to it's surrounding, the managerial efforts must be directed towards the managerial process quality at all levels, primarily in the sense of greater care and dedication to meeting the set goals and the owners requirements, to more efficient usage of the resources, to the quality improvement and ecological awareness, to the ethical behavior and emphasized responsibility, etc.

Parallel to the development and growth of the company, and as the consequence of the greater instability and complexity of the surrounding in which the company works, within the frames of the modern business economy, in the last few years more and more is emphasized the importance and the role of the *risk concept and internal controls as the risk management instrument*. The risk management is the process of identifying, analyzing, evaluating, supervision and publication of the risks linked to any activity, function or process in the way that will enable the organization to minimize the loses and to maximize the opportunities. The efficient risk management is the source of the *value added* for the owners and other stakeholders. The management that has the duty to define the proper ways and risk management strategies, is responsible for the successful risk management.

2. DEFINING THE INTERNAL SUPERVISION SYSTEM

Today's companies are doing business in the global turbulent surrounding of very strong market orientation and private ownership over the production means. Under such conditions, the business supervision is getting more important role and meaning in all areas of human doings. Mutually connected and dependent parts or subsystems of the overall political and economic system are setting up certain goals that they are trying to meet. The grounds for meeting these goals and functioning of the system are certainly specific principals, rules and norms of behavior and acting. Still, in the practice in certain processes and stages, and especially in the business ones, could be noticed the deviation from the rules, finally resulting in the fact that the set goals are not met. In that context, *supervision* is the mechanism connecting all the elements of the system and ensuring meeting of the previously set goals, as well as successful functioning of the system, it's growth, development and survival. In defining the supervision according to Neda Vitezić, two standpoints should be taken into consideration: 1) the successful supervision requires setting the goals in advance, because it has no meaning without the goals, and 2) the supervision includes somebody's or something's action – of employees, of business units or of entire company – with the intention of action towards the goals [1].

There are today various classifications of the supervision depending on the area for which the supervision is organized, thus in that sense there is state supervision, political, economic, legal supervision, etc. Depending on the area into which the supervision is structured in, and is working in, there are different goals that have to be achieved by the supervision. However, the supervision goal is to investigate and adjust entire socio-economic-political system to the set criterion (norms, rules, laws and standards) [2]. Therefore, the supervision is the general term for the regularities investigation and for the irregularities removal from the business processes and stages. In the modern literature, there are many supervision classifications depending on selection criterion. For instance, there is the following selection according to the supervisory subjects: external and internal supervision; according to the time: permanent, periodical, occasional, previous, ongoing and subsequent supervision; and according to the intensity of the supervision there is formal and material supervision [3]. This paper deals with the internal supervision, and especially with the internal control. The role of the internal control system in the designing the system of the internal supervision is especially treated of.

Internal supervision is conducted within the frames of a business system or an organization for the purpose of monitoring of the accomplishment of the previously set goals and for the purpose of suggesting corrective actions in the case of the deviation from these goals. There are three basic forms of the internal supervisions as follows: a) internal control, b) internal revision, and c) controlling.

Internal control is composed of the methods and actions incorporated into the organization of the company, and adopted by the management, in order to ensure the undisturbed activities of all business functions of the company. [4]. Thus, internal control is the process, shaped by the company's management, top management and the staff, for the purpose of the gaining the reasonable conviction on meting the following goals: **1)** reliability of the financial reporting, **2)** adjustment – of business with the laws and other regulations, **3)** efficiency and effectiveness of business operations and **4)** property protection.

Internal auditing is the independent estimating function set in the organization, investigating and estimating it's actions as the service of that organization. The purpose of the internal control is assistance to the members of the organization, including the management and different boards in effective completion of their responsibilities. Internal auditing is providing the following to the management: analysis, estimations, recommendations, advice and information related to the activities of the organization. The basic goal of the internal auditing in the modern circumstances is to investigate and evaluate the functioning entirety of the overall business system, and to give the opinion and suggestions for the improvement of it's business. Very often the internal auditing is considered to be the effective instrument of the managerial control.

Controlling is efficient modern concept of the company's business result management, including coordination and connection of planning and information provision, as well as the analysis and control of human, material, financial and informational resources for the purpose of meeting the goals in efficient way. Furthermore, one could say that controlling is the business philosophy, special style of management and (accounting) informational activity suited for decision making. It is the agitator and helm of the company, it requires aimed and decentralized management, developed entrepreneurial culture, entrepreneurial planning and economic supervision.

3. THE GOALS AND CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

Internal control is not purpose to itself, but is directed to achievement of reaching some goals. The goals of internal control can be divided to: operative, informational, and the goals of adjustment or conformity. *Operational goals* of internal control relate to the efficiency and effectiveness of company's business. It means that company must have such internal control system that will enable quality management and meeting

previously set operational and strategic business goals. *Informational goals* refer to the preparation of the updated, reliable and relevant reports used as the informational ground for business decision making of internal and external stakeholders. Naturally, it also includes the need for composition of reliable annual financial reports to be presented to owners, creditors, state and other external users. The information is reliable if it is presented realistically and objectively, i.e. if it is in accordance to the defined frame of financial reporting – accounting principals, standards, policies and legal norms. *The goals of the adjustment* refer to the fact that the system of the built in internal controls must ensure the adjustment of entire company's business with the rules, decisions and other internal policies, plans and company's procedures.

Internal control comprises entire group of procedures and actions penetrating entire organization and directly contributing quality of business processes and stages. For the purpose of business efficiency and effectiveness achievement, the internal control is conducted by people at all levels in organization through the principal of *self-control* from the executors to the managers at all levels, including the other preventing and controlling procedures. Internal control, thus, is becoming the natural part of the managerial, executive and informational subsystem of the company and the part of the management. Internal control is primarily directed to meeting the following goals: 1) ensuring reliability and integrity of data and information generated, 2) ensuring adjustment with the business policies, plans, work programs, legal and other rules, and other limitations, 3) saving the property, 4) economical and effective usage of all types of resources, 5) meeting the formulated plans, programs, and set goals and tasks. [5].

The internal control system, thus, incorporates all the methods and procedures of internal control adopted by the management in question, assisting in meeting the goals as well as contributing the regular and successful company management. Among these procedures, very important one is commitment to the management policy, the property protection, the fraud prevention and the fraud and mistakes monitoring, correctness and entirety of accounting registry, timeliness of valid financial reports preparation. Consequently, this is the system of controlling, organizational, and other processes, measures and policies adopted for the purpose of meeting the mentioned goals. Control is the form of supervisory over the ongoing business tasked to determine whether the business is done in accordance to the set criterion of correctness. To that end, the control is preventive. The basic characteristics of the internal control are: (1) internal control is the process, i.e. the group of activities that are not purposed to itself but should be understood as the tool for meeting the set goals, (2) internal control is conducted by *people* at all levels in the organization, (3) internal control might result in ensuring the *reasonable*, rather than absolute *conviction*, and (4) internal control is established for the purpose of meeting some *goals*.

At the same time. internal control, besides incorporating many measures and procedures built into the business process of the company, is also setting up the indicator and correction of the accomplishment in order for the planned company's goals to be achieved. In the modern theory and practice of the organization and management, control is considered to be the basic function of the management at all levels and key factor of the company's success. Control, as the form of the supervision. i.e. process of investigation, is conducted through the three basic phases: a) setting the standards, b) measuring and comparison to the standards and c) determination of the deviation. The management is responsible for taking the corrective measures upon determination of the deviation by the control and there is the link between the control determining the deviation and the immediate manager initiating certain actions.

4. CONTRIBUTION OF THE INTERNAL CONTROL SYSTEM TO THE RISK MANAGEMENT DESIGNING

In order for the company to survive in the today's turbulent global surrounding, it must continuously strengthen its competences and, by doing that, to increase the competitiveness to the higher level implying constant development and growth. Parallel to the development and growth of the company, and as the consequence of the greater instability and complexity of the company's surrounding, in the frame of the modern business economy, in the past few years, the more and more is emphasized the importance of the role of *risk concept and internal controls as the instruments for risk management*. Risk is the probability of the occurrence of some event having consequences to the organizational goals' meeting. It is usually expressed in the terms related to the consequences and probability of occurrence. The risk is the danger that might be predicted to certain extent and whose intensity might be determined.

Management is trying to maximize the strength of the company and the opportunities in the surrounding, with the simultaneous minimization of the own weaknesses and threats in the surrounding, respecting *the business risks* during planning and making business decisions. That process of deliberating business decisions, as understood in wide context, is usually called *risk analysis*. The purpose of the risk analysis is not to predict the future, but to ensure the analyzing and respecting the insecurity factors in the business planning and making business decisions of the management. Besides the *risk assessment* and *risk communication*, one component of the risk analysis is also *risk management*. Thus, *the risk management* is the process of

identifying, analyzing, estimating, supervising and communicating the risks linked to any activity, function, or process in the way that the organization will be made capable of losses minimizing and of possibilities maximizing. Consequently, in the core of the risk management process is the setting of the necessity of the proactive access, according to which the risks do not include only dangerousness and threats in the sense of the insecurity of meeting the expected results, but also the chances, i.e. possibilities for the company to achieve the sustainable competitive advantages. Therefore, it is usually said that the efficient risk management is the source of *value added* for owners and other stakeholders. The risk management process should be shaped and implemented in the daily life of the organization in that way to ensure: 1) understanding the risks to which the organization is exposed to, 2) conviction that the proper strategies and procedures of decreasing the risk endangering meeting of desired goals are implemented, 3) existence and functioning of the *proper controls built into the organization as the instrument of risk management*, and 4) predicting the changes in the surrounding.

Taking into consideration the previous definition of the risk management, it is possible to notice that this is the process involving more phases (activities), as follows: 1) identifying the risks linked to the certain business goals, 2) estimating risks in the sense of possibility (probability), significance and time of their occurrence, then estimation of the potential consequences, and in connection to that, defining (ranging) priority risks, 3) deciding on how to act with the identified risks, and 4) supervising.

The management has duty to define certain ways or strategies of risk management – *ignoring risk existence, acceptance of risk existence, risk controlling, risk minimizing, risk elimination, risk diversification, etc.* and is responsible to select the proper ways or strategies for risk management. The implementation of the proper internal controls into the business system, as well as permanent care of their functioning, may significantly contribute the realization of the approved strategies of risk management. Consequently, controls are designed in order to ensure achieving the goals whose achievement might be prevented by the risks. The overall risk need to be decreased by the proper controls, and as the risk level is higher, as good controls are more necessary. Internal controls might justify their existence and be successful only if they are built into the overall culture of risk management in an organization. [6]. Lately, many successful organizations implement the proper controlling processes and procedures into some elements of their business system, respecting specific types of risks that they face with in these parts of the business. Regarding that, it is useful to point out the example of the business banking. Banks have key role in maintenance of the national financial system stability and, in general, of the economic development of a country. Since they are doing business using other's resources, on its behalf and for its account, the banks' business is very risky.

5. TYPES OF INTERNAL CONTROLS

In the modern business conditions, internal controls refer to almost all business functions and processes in the company, i.e. purchasing, selling, production, etc. rather than only to the accounting subsystem of the company as is often emphasized by the laymen. Only unique internal control system embracing entire business system, through its actions, can support the meeting of the company's set goals and protecting the property. Thus, the system of internal controls represents the specific supervision over all business processes of the company. The classification of the internal controls types is grounded on the division of the company as the business system into the *executive, informational and management subsystem* as well as on the thesis that the controlling procedures must be built into the all phases and functions of the business system. Therefore, there are following types of the internal controls: a) executive or administrative controls, b) informational, and within them, accounting controls, and c) managerial controls.

(a) Administrative or executive controls are usually established in the single business company's functions – purchasing, production, selling, legal service, human resources department, maintenance department, etc. They are organized by management in those areas where the accounting controls, in short term, are not giving satisfactory results and are not sufficiently efficient. Controlling procedures that are usually implemented, e.g. in the subsystem of purchasing, include the following: centralized choice of the supplier; necessary proves for the purchasing approval before the order is authorized (amounts and levels of the repeated orders); the orders are prepared only after the purchasing approval is received; authorization of orders; previously numerically marked orders; provision of blank orders; verifying the orders that are not received or charged; monitoring the suppliers and usage of the benefits (whole sale purchasing, sales), etc.

(b) Accounting controls include the group of the measures, actions and rules intended for ensuring of the correctness, validity and totality of the accounting records and reports, as well as physical protection of the company's property. Totality or entirety means that all business changes that occurred in the accounting period are recorded in the business books and are recognized in the financial reports of the company. Correctness, i.e. validity is related to the requirement according to which all business changes are correctly and comprehensively presented in the accounting records. Accounting controls are affecting consistently conduction of adopted

accounting policies as containing part of the company's business policy, thus are affecting validity of the financial information. They include all organizational measures, controlling methods and procedures applied in regards to the accounting presentation of the business transactions.

(c) **Managerial controls** refer to the management subsystem of the company. These controls are conducting the following: 1) subsequent verification of administrative and accounting control system functioning and making necessary measures and actions for their more efficient work, b) making decision on taking necessary corrective measures and actions in order for the business to be conducted as planned. Managerial controls are conducted by the management of the company in the small companies. In the big and middle companies, the management is usually setting the special central expertise department of the management, usually the department of the internal auditing. There is, of course, the supervisory board, as the body of the ownership supervisions on behalf of the company.

6. CLASSIFICATION OF CONTROLLING ACTIONS FROM THE ASPECT OF THE DELIBERATION LEVEL

Controlling actions are usually deliberated at few levels, as follows: 1) preventive, 2) detective, and 3) corrective actions (figure 1.).

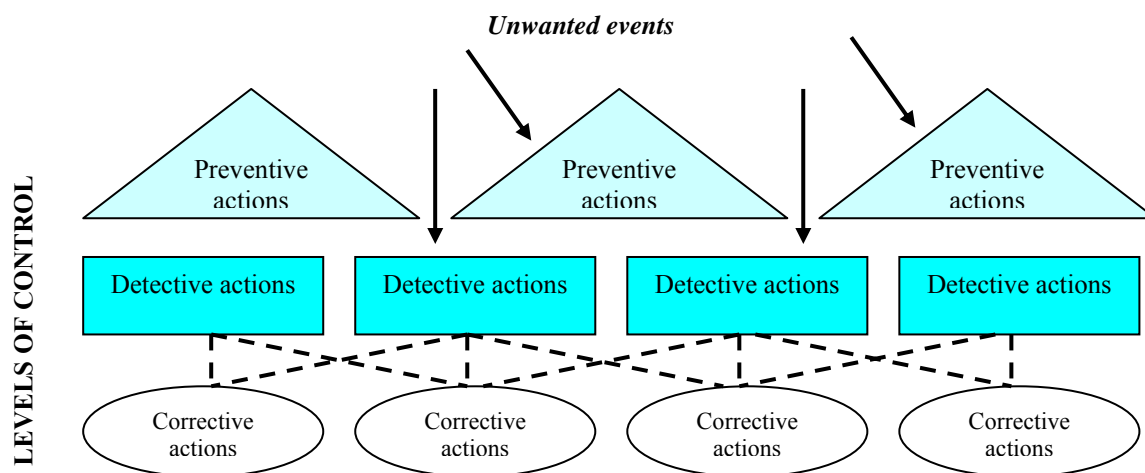


Figure 1: Levels of the controlling actions

(a) **Preventive controlling actions** are directed to the prevention of the mistakes and frauds. Therefore, preventive controls are, in fact, "a priori" controls acting at the moment of some activity or in the phase of completion of some employees' duties. These controlling actions are related to the business process and it's input for the purpose of prediction of potential problems. They are preventing occurrence of possible mistakes, e.g. control of the formal document correctness or introduction of certain parameters that must be entered prior for the document to be issued or to be valid. It is considered that the preventive controls, in comparison to other mentioned types of the controlling actions, are especially detective and corrective, more superior and more cost efficient, because they are preventing the losses and decrease certain risks. It is well known that is better and, in long term run, cheaper, to "prevent than to heal".

(b) **Detective controlling actions** are controls directed towards detecting, i.e. discovering of the irregularities and mistakes upon their happening. Detective level of control consists of the resources, techniques and procedures intended for recognition and discovery (detection) of events that avoided the preventive controlling level. In the context of the tools and actions for recognition and detection of problems that could not be prevented in the previous, preventing level of control, the most oftenly mentioned one is the comparison between the obtained parameters and the standards or planned ones.

(c) **Corrective controls** are directed towards the correction of the issues identified by detective controls at the previous level of control. While the detective controls are pointing out the unwanted events and are directing the attention to the problems, the problems are solved by the corrective controls. Corrective controls contain the actions made for the following purpose: determination of the problem cause, correction of the mistake or omission and modification of the system in order to eliminate or minimize the future problems. In deliberating the levels of the controlling actions, it can be concluded that the controlling actions need to be integral part of the daily activities of the companies. Additionally, the analyzed controls can be personal, technical or combined. In the practice many types of the controlling actions and activities, relating

to the reporting area, data processing, duty division, physical control, etc. are applied and combined. Thus, there is no the one best controlling activity in the certain concrete situation, but there is usually the set of controlling actions. The management must establish proper controlling actions and activities throughout organizational structure, including the following:

- 1) Surveys at the highest organizational level.** Management and senior management is usually looking for proper pieces of information on completion in order to survey the possibilities of the completion of the company's set goals and previous results. E.g. one could request the proper reports on actual financial result to be compared with the planned parameters. Doing that, it is possible to identify the mistakes in the reports, the weaknesses of the internal control, even the frauds.
- 2) Controls at the level of the individual organizational units.** The managers of individual organizational units are receiving and monitoring the standard performances, and reports on the exceptions on daily, weekly or monthly level. The surveys at the lower organizational levels are more often and more detailed in comparison to the ones conducted at the higher levels. However, in the same way like in the highest organizational level, the questions are set as result of the surveying the detailed reports and the answers to these questions represent the controlling activity.
- 3) Physical controls.** They usually include the prevention of the access to the property and to the documentation to the unauthorized person. In regards to that, it is important to pay the attention to e.g. warehouse protection and protection of other important facilities by usage of proper security systems, physical protection and approval of access to the accounting and other core business documentation, data bases, software, etc.
- 4) System of the approvals and authorizations.** The transactions above the specific amount must be approved by the authorized person, and each single transaction can be made only by a person that posses proper authorization. Namely, as a rule, the higher management level's approval of a transaction ensures the provision of information to the higher level on the transaction itself, and on the other side, the existence of the authorization has the goal of duties division.
- 5) System of verification and adjustment.** Single transactions and activities must be verified. Controlling actions of adjustments mean periodical adjustment of the determined record with the proper reports, as well as adjusting the internal and external records.
- 6) Division of duties.** This is one of the basic controlling actions. Division of duties decreases the possibility for the employee to be in the situation of doing the mistakes and hiding the mistakes, irregularities and frauds in completion of its duties, by allocating to the different persons the authorizations to initiate the transactions, record the transactions and maintain the supervision over the company's property. Every business transaction in any area of doing business in the company goes through the phase of initiation, completion, supervision and recording.
- 7) Competent staff and staff dedicated to the goals of the organization.** Although the informational technologies in current conditions almost have no alternative, many irregularities, mistakes and frauds in the modern doing business are connected directly to people, i.e. members of the organization. That is why, the knowledge and capabilities of the staff, as well as the proper reward and motivation systems, are important for meeting the company's goals and realization of the set plans.

7. CONCLUSION

At the end, we can conclude that the long term bigger or smaller success, as the characteristic of the competitive capability of company, is the consequence of actions and behavior of the company in the current and future surrounding. Knowledge of the characteristics of close and wide surrounding, together with the internal analysis of the company itself, is the prerequisite for identification of the opportunities and threats in the surrounding, as well as real advantages and weaknesses of the company. The results of such analysis are the ground for proper positioning of the company in the surrounding and creation of it's sustainable competitive advantages. In order to find and maintain such position of the company in relation to it's surrounding, the efforts of the management must be directed towards the quality of the management process at all levels, and first of all in the sense of the greater care and dedication to meeting the set goals, requirements of the owners and other stakeholders, efficient usage of the resources, ethical behavior and emphasized responsibility.

The management has duty to define certain ways or strategies of risk management – *ignoring risk existence, acceptance of risk existence, risk controlling, risk minimizing, risk elimination, risk diversification, etc.*, and is responsible to select the proper ways or strategies for risk management. The implementation of the proper internal controls into the business system, as well as permanent care of their functioning, may significantly contribute the realization of the approved strategies of risk management. Internal controls might justify their existence and be successful only if they are built into the overall culture of risk management in an organization.

REFERENCES

- [1] Vitezić, N.: *The supervisory system for the purpose of economic development of Republic of Croatia*, Journal of works "Internal auditing and control", HZRFĐ, The section of the internal auditors, Zagreb - Opatija, 1998, pp. 12.
- [2] Vitezić, N.: Quoted part under [1], pp.12.
- [3] Krajčević, F., Lindemann, P., Nagel, K.: *Auditing and control in conventional and automatic data processing*, Informator, Zagreb, 1972, pp. 4.
- [4] Chambers, A. D.; Selim, G. M. & Vinten, G.: *Internal Auditing*, Pitman Publishing, London, 1993, pp. 50.
- [5] Chambers, A. D.; Selim, G. M. & Vinten, G.: quoted part, pp. 328.
- [6] Chorafas, D. N.: *Implementing and Auditing the Internal Control System*, Palgrave Publisher, New York, 2001. pp. 32.

PRODUCT PROCUREMENT SYSTEM IN MILITARY INDUSTRY

Dragomir Đorđević, Aleksandra Nikolić

Faculty for economics and engineering management, Novi Sad, SERBIA

***Summary:** The method of direct negotiations can be challenge, but he often can not be avoided. The rapid progress of science and technology has created a situation in which, for the acquisition amounts to large sums of money, you can not meet either criterion methods of competition. Many of the objects (assets) or services that government buys can not be defined because of variable factors that prevent the definition, let alone standardization.*

***Key words:** Acquisition system, market structure, defense industry.*

1. INTRODUCTION

One of the objectives of the transition process in the countries of East and Southeast Europe is the creation of conditions for the construction of market environment, in which economic entities operate according to market criteria. It is almost indisputable that the operations in this condition significantly raise the efficiency of the entire economic system, and each business entity that is capable of such conditions to survive. According to generally accepted views prerequisite for the creation of such conditions is the liberalization of economy. Market complete or perfect competition, with a practically unlimited number of sellers and buyers for each commodity, only a theoretical assumption, while in the real economies there is a large number of partial market certain goods, with a much smaller number of participants and on the supply side and demand side, and that can not be completely free to tread. It pulls the appropriate consequences of the behavior of the market and the operation of market laws, especially the law of supply and demand relations. From this stem, and different principles and pricing, and consequently the performance of all other companies associated with pricing.

2. PROCUREMENT SYSTEM AND MARKET STRUCTURE

The way of functioning of market mechanism, and positive and negative impact on the functioning of the overall economic and social developments, it depends on the existing form of the market, and since the economic literature often states morphology Market

Market structure significantly affect the terms of trade, price formation, the behavior of economic entities, primarily producers and sellers, but also consumers and customers. Since market structure depends on the extent to which present free operation of market forces - competition.

Effective regulation of market relations presupposes the knowledge of their structure, and even before, if these structures bear more characteristics of monopolies and oligopolies, as is the case with the defense industry.

Some authors grouped different factors or factors that influence the market situation. We decided (in view of the process and pricing mechanisms funds for armament and military equipment) to be classified into three main groups, namely:

- a) the number of sellers and buyers who make a market transaction;
- b) nature of product defense industry;
- c) the elasticity of demand of funds NGOs.

The dominant form of market funds NGO's bilateral monopoly that occurs when the market confront each other a monopoly and a monopoly, or when and by supply and demand side occurs by a seller or buyer.

Another form of market NGOs, which are rarer, is a very monophony. If there is only one buyer of the product on the market and some manufacturers, then, in a situation where there are many manufacturers - monophony. All market structure, except for full competition among the imperfect. Basic characteristics of imperfect market structures are:

- a) differentiated products and prices for the same purpose;
- b) significant influence producer and consumer in the process of forming market prices;
- c) the relatively weaker mobility of resources.

Objective material basis of emergence and spread of monopoly structure is contained in the process of concentration and centralization, and the expression of this process requires modern technical and technological development. On the aspect of exchange primarily must bear in mind the negative consequences of the existence of monopolies, and the aspect of the production advantage of big production and great economic and technological units, which are a necessary condition for technical progress.

According to our opinion, the producers of funds NGOs are a combination of legal and "octopus" monopoly.

For example, the irrational is to have two or more aircraft manufacturers, carriers, flows, etc.. Because then single necessarily higher production costs.

In all groups of monopoly, but purely economic, there are certain principles of the pricing of these products on the market, so we could say that this is so. regulated monopolies. Specifically, companies are obliged to be the formation of prices of their products and services comply with the principles of price formation that defines the authorities that they and the monopolistic position secure. Therefore, the price in the bilateral monopoly is not a given size, but arises from an agreement the buyer and the seller.

In the case of administrative cost limitation expressed need knowledge, expertise, and farsightedness, or the limitations of society and the economy may bring more harm than good. Administrative state regulation of prices has many opponents, especially in countries with developed market economies. At least such is the enemy when it comes to the needs of disabled monopolistic pricing.

In search of theoretical basis objective education cost of funds, we extract the concept of NGOs called. "Objective cost of funds NGOs" as the most adequate expression of the values in the industry, NGOs, given that it is determined on the basis of necessary social costs and accumulation, caused by the cost objective commensurate with the funds for the work objectively and labor costs caused by.

Mathematical form of the normal cost of funds NGOs is:

$$P_s = T_{pr} + T_{sr} + T_r + (T_{sr} + T_r) \cdot (D/TSR + TR), \text{ where are:}$$

P_s = objective material costs NGO, T_{pr} = costs of work subject,
 T_{sr} = costs of funds for work, T_r = cost of work, D = total social gain
 TSR = total expenses of funds for work, TR = total expenses of work.

With this form of «normal cost» is secured:

- Complete accuracy of input elements in forms of reproduction;
- Equalization of labor costs to the place and importance of the means of production costs;
- The structure of prices which in addition to value elements, which maintain spending, includes net result of engaging these factors;
- Distribution of the work or the work of appropriation proportionately;
- Some "prejudicing" the distribution of profit, which is the economic laws;
- A clear division of the variable costs, ie. costs of items, and fixed, ie. costs of technical capacity and working.

3. PERSONNEL STRUCTURE OF PURCHASING FUNCTION IN THE CIRCUMSTANCES OF IMPERFECT MARKET STRUKTURE

Economic analysis can determine only the range in which there is equilibrium price. The final will be the price (and quantity of production) however, uneconomical to determine factors, such as negotiation power, skills and strategies of other companies of the participants.

In terms of bilateral monopoly of economic analysis leads to uncertainty which in the end, dismissed exogenous factors.

Mathematical form of "normal price" of funds NGOs is only theoretical basis for pricing these assets. However, for specific pricing of funds NGOs working out the necessary expression with the following two aspects:

- Criteria which are clearly quantitative framework clearly defines socially necessary amount of each input reproduction;
- Structure elements "normal price" of funds NGOs with elements whose movements follow the official statistics of the country.

The assumption for the execution of such a complex task is the staffing structure of employees in the service cost that will form a harmonious blend:

- technical-technological,
- tactical,
- economic and
- legal qualify.

Expressed knowledge, expertise, and farsightedness of employees in the service guarantee the rational use of budgetary resources as a public good.

Selection of personnel on the basis of criteria of knowledge of the Law on Public Procurement does not guarantee a rational use of budget intended for procurement.

Second, if there is no correlation between the procurement system and market structure of the space, there is the possibility of [11]:

«Businesspeople observed undesirable form of connection between the economy and politics through the high bias of state officials in the large business award in tendering and procurement. The highest probability of occurrence of bribery in the case of public procurement. Hence, not surprising fairly uniform opinion on a very low public confidence in the politicians.»

4. CONCLUSION

Government contracts must not only be Dubrova, but they must also leave a good impression, and it is almost impossible to reach a contract concluded through direct negotiations leaves a good impression. Years by the Government and the authorities carried out snabdevačkih efforts to be increasingly used method of competition. However, as weapons become more complex and increasing the money supply intended for the defense goes to research and razvoj, it becomes increasingly difficult to make the supply of these methods.

Prerequisites for public tender are very specific and any deviation almost automatically requires that it replace direct negotiations. These requirements are as follows:

1. There must be complete, explicit, adequate and realistic specification of items of purchase, based on which can provide competitive bids for the provision and delivery of identical products;
2. specifications must be available to all potential bidders, and it should not be limitations on grounds of security - confidentiality;
3. there must be more than one tenderer who wishes and is able to successfully participate in the auction of a job;
4. The winning bid could be selected based only on price, provided that the bidder is qualified as eligible.

If these prerequisites met, you can use the method of competition. However, if any of these four criteria would not be satisfied, competition would probably be impractical if not impossible.

The aim of the immediate matches, and the competition is to provide the most effective way to achieve the greatest benefit to the Government.

Ispunjenje this requirement depends on experience, expertise, skills and reasoning inicijativi staff engaged in various stages of the whole process of procurement.

The method of direct negotiations can be challenge, but he often can not avoid.

REFERENCES

- [1] Babić S., Milovanović M.: Teorija cena, Ekonomski fakultet, Beograd, 2005.
- [2] Djordjević D.: Teorija i praksa formiranja cena u vojnoindustrijskom kompleksu, Ekonomika, Beograd, 1993.
- [3] Hal, V.: Mikroekonomija – moderni pristup, Ekonomski fakultet, Beograd, 2003.
- [4] Jurin S., Šoninger J.: Teorija tržišta i cijena, Globus, Zagreb, 2007.
- [5] Koutsoyiannis A.: Moderna mikroekonomika, «Gospodarska misao», Zagreb, 2002.
- [6] Labus M.: Osnovi ekonomije, Jugoslovenska knjiga, 1995.
- [7] Maksimović S.: Mikroekonomija, Consseco institut, Beograd, 2002.
- [8] Stojanović I.: Mikroekonomska teorija cena, Savremena administracija, 1995.
- [9] Zdravković D., Stojanović B., Djordjević D., Stojanović I.: Teorija i politika cena, Ekoinomski fakultet, Niš, 2008.
- [10] Djordjević D.: Mikroekonomija – savremeni pristup, Privredna akademija, Novi Sad, 2008.
- [11] Monthly analysis and forecasts, Institute of Economic Sciences, Belgrade, 7/8, 2008, str. 44.

CONTEMPORARY APPROACH TO COMMUNICATION SERVICES MARKET RESEARCH

Dozić Mesud¹, Vuletić Siniša²

¹ Šumaprojekt, Sarajevo, BOSNIA AND HERZEGOVINA

² Business Academy, Novi Sad, SERBIA, e-mail: wiki@blic.net

Summary: Accelerated development of information and communication technologies and their powerful impact on all spheres of life, as well as changes that characterize the contemporary world economic scene, creating all the stricter conditions in which the operating environment communications service providers. Therefore, the business strategy in this sector, in terms of general impact of globalization and integration processes is expressed by a rule based on the application of appropriate marketing concept, which is the center of users with their demands, the specific and individual characteristics. It offers the basic principles of access and implementation of new methods of research the European market of communication services.

Key words: technology, information, communication, service, market, management.

1. INTRODUCTION

Information society, global economy open markets, new product and services users as well as completely new conditions and ways of conducting business, are undoubtedly led to new role, and according to this completely new marketing concept. Modern user of communication services is more and more a "target" of sharp international and global competition, instead of former local and national. Instead of earlier, so called mass marketing, which was based on the principles of mass production and sale of products and services, economy of scope, lower expenses, stabile supply and demand, now it is necessary to apply a new, completely different marketing concept, which means "managing relations with users". This, in service sector, generally accepted modern marketing concept, also known as CRM - Costumer Relationship Management, demands the use of a new approach to service market research. Namely, it is not enough to know the needs of users, but permanent and complex research must be conducted, which will give information about users expectations in real time, as well as about the value that a user "see" in communication service. [10].

When a sector of communication services is concerned, the market research must take into consideration the specific nature of this service: it is output of the mass service system, and at the same time it is characterized by a high level of individuality when users' demands are concerned. It also represents a factor of integration processes in society, as well as a factor of creating a unique market and business globalization. Besides this, it is very dependent on the development level of a certain region, in technical-technological and social-economic sense, but it is also dependent a great deal on national regulations, as well as international. Namely, even at the beginning of the nineties, in EU, a main goal of integration was defined- a unique, intern market, which promotes fast economic development and faster economic integration of the members countries, considering the differences in stages of development of different economies. At that time, for the future of EU, five crucial areas were defined where a special legislation would be enforced: health services, safety, work, data protection and telecommunications. Telecommunications was then, as it is now considered a crucial factor for faster economic development. Communities, because they influence positioning Europe in the industry if great technologies in relation to America and Japan. However, most of the telecommunication companies in EU worked under state monopoly- they were characterized by great inefficiency, there was little or no competition and the prices of the services had a tendency to be artificially high. That is why a general goal was set up: to develop, within community, a strong telecommunication infrastructure and efficient services, as well as telecommunication

legislation which supports the processes of institutional reforms, privatization, and liberalization and tariff policies. It is also important that all current strategic documents of EU define telecommunication services, together with education and health services, as well as a part of set basic set services for civil society. All this influenced EU sector of communication services to develop propulsive in conditions of liberal, but at the same time precisely regulated market. To begin from here, continual research and understanding the specific demands of users, presents extraordinary professional effort and exceptional challenge in the terms of defining efficient business strategy on European telecommunication service market.

2. COMMUNICATION SERVICES MARKET RESEARCH

When the sector of telecommunications is concerned, defining an efficient market concept is extremely complex, principally because of the following communication services market characteristics [7]:

- Wide scope of services; Fast development of telecommunication technologies which is often independent of the real needs of users, made general categorization of telecommunication services very difficult. A great deal of reasons for that lies in the accessibility of telecommunication services to customers. Further analysis would be focused on defining reasons for limited accessibility which can be a consequence of infrastructural limitation (high expenses zones- rural areas), undefined or misused regulations (for example illiberal markets), computer literacy , etc.
- Impossibility of precise defining target-users groups; Modern society turns into informational society where telecommunications encroaches upon every aspect of life. Division into residential (households) and business users does not give expected insight into users' population and demands further categorization. Because, the question is who is "greater" user, a manager of multinational company who is on the net only during work time or a teenager who spends hours on the Internet, at a computer or a cell phone?
- Defining indicators for telecommunication sector; this problem had two dimensions: the first one regards to the need to treat separately accessibility, that is approach to services, the use or application and influence, that is effects of telecommunication services, where it is often difficult to distinguish technical from economic indicators. On the other hand, it is necessary to precisely define the frames (social economic, geographical, and time, etc) that indicators are based on, in order to choose "general" indicators which is usually impossible job to do. Since the scope of services and dimension of telecommunication services change almost instantly, often redefining of indicators is demanded which can lead to too much details, and that can endanger the insight into general state in telecommunication market. Additionally, the time information is relevant is shorter because of life's fast pace, and because of that the validity of telecommunication development indicators are lost.
- Defining the methodology of acquiring and analysis; Wide scope of services and high level of individuality of users' demands, great time and space discontinuity of development level, as well as a short time of development indicators' validity demand precise defining of the acquiring methods and data processing necessary for telecommunication market analysis. Overcoming mentioned obstacles requires exceptional effort and engaging different resources. [6].

2.1. Modern methods of communication market research

Research of telecommunication market demands engaging a great number of resources and precisely defined aspects of telecommunication service being analyzed. Although telecommunication systems are systems of mass services, process of gathering data needed for analysis requires precise defining of individual groups of users. Since electronic communication has become a dominant factor in virtually all aspects of life, so the wide use of telephone, as a primary instrument of communication, has had a significant influence on research practice. Basically tele-research has become the main method of gathering data in the field of service market research, especially in North America and Western Europe. Other forms of advanced communication like e-mail, Internet, videophone, fax and mobile telephony are more and more significant when tele-research is concerned and in that way they become a serious competition to fixed telephony [9].

Almost a complete coverage when fixed telephony is concerned, a very intensive technological development, as well as a great number of possibilities in the field of telecommunications, make, every day, stronger potential for its use in the field of research. On the other hand, some improvements in the field of telecommunications can make tele-research more difficult, and in that way give the advantage to more conventional ways of research. For example, increased sophistication of work equipment algorithm and users' devices (like caller's identification), contribute to the level decrease of users-examinee cooperation.

2.1.1. Research via fixed telephony

The use of fixed telephony in the field of market research, especially the users' aspect in business marks an intensive growth along with the increase of fixed telephony penetration. The most frequent method used, when fixed telephony as an instrument of research is concerned, is RDD (Random Digital Dialing) method with Mitofsky-Waksberg scheme of cause [5].

Methodology of RDD requires the use of applications which randomly choose telephone numbers in order to preserve statistic representation of users as samples. Users, over the phone, answer the questions from standard questionnaires. The sole scheme of choosing numbers is based on Mitofsky-Waksberg sample method which relies on the fact that tele-companies provide telephone numbers in sequences and not randomly. Precise defining of method for forming samples is necessary because a great percentage (usually about 30%) of residential numbers is not properly registered, so the basic tally which a sample is taken from is not statistically correct. That can lead to the situation where a sample does not represent adequately phone population, or the residential population of telephony users. Mitofsky-Waksberg sample method anticipates the ability of preliminary numbers identification which are not in use and in that way increases the efficiency and decreases expenses and time of research. The use of RDD method, despite traditional problems when users research is concerned- defining groups of interest, ways of forming samples, engagement of resources and staff, etc, encounters additional problems, especially when the market research for determining a development level of information society is concerned. For example there are limitations on questioning people under 16 without presence of parents, who presents a group of interest when the sector of IT services is concerned. This obstacle is overcome by using Web-research, if net services are involved, but the problem remains when research related to mobile telephony is involved. The same problem is when the implementation of IT technologies in primary and secondary education is concerned which are part of users research of the long-distance learning concept (e-Learning) within e-Europe action plan[2].

2.1.2. E-mail and Web research

Increasing number of internet users, as well as above mentioned problems of using RDD method, caused the increasing number of Web and e-mail telecommunication market researches. The features that these researches have in common are:

- Users representation;
- CSAQ – Computer Selfadministered Questionnaire.

However, there are certain differences between those two types of tele-research. Email researches are very similar to classical written researches and are based on sending standard questionnaires and data analysis based on users' answers. The advantage of this kind of research is in lower costs and simplicity of transferring and receiving questionnaires. Web research, on the other hand, are based on interaction between the examinee and research instruments (usually Java software package). This method enables the use of sophisticate multimedia patterns, as well as observing in real time, which contributes to better users-examinee response. In spite of great perfection of software used as an instrument, web researches have certain limitation which are caused by insufficient level of Internet penetration. This problem can be overcome by using TV as an alternative access. Additional solution is to use access which uses telephone keyboard instead computer keyboard (TDE – Touchtone Data Entry), or access which is based on voice recognition and converting voice signal into data-answer (VRE – Voice Recognition Entry), instead of CSAQ access [9].

Additionally big problem of this kind of research is sampling. Target group is often defined as Internet users which is too general and creates problems when the aim of gathering and analyzing data is clearly and closely defined.

When business users are concerned tele-researches are convenient for sampling since research is directed and institutions or their users/employees are clearly defined. Regardless of mentioned limitations, tele-researches are widely used more or less successfully. The best results are achieved through combining traditional and modern methods, in which way better representation of samples and better allocation of needed resources are achieved. Experience shows that tele-research saves more money with regard to the problem of direction towards defining groups of interest (the case of residential users). With regard to the fast development of information technology and its more frequent use in all spheres of life the prediction of many research agencies that the problem of users coverage will be solved soon, and that traditional researches will be completely replaced by tele-researches.

2.1.3. Modern approach to gathering and documenting data

Considering that researches in the field of telecommunications require great engagement of financial and staff resources and that at the same time the validity of the attained data shorter, it is necessary to define precisely the strategy for gathering and documenting data. Considering that telecommunication market research usually

presents a part of continual monitoring, especially when users' satisfaction is concerned, modern approach to gathering data has to have two basic contents:

1. CCC centers (Customer Call and Contact Centers);
2. CRM concept (Customer Relationship Management).

CCC centers are going through the phase of fast development and improvement by increasing its availability, fast responses and efficiency. Mainly created as centers for customers' support, in a sense of giving answers to their problems and questions and giving information, these centers give more support to management, in a sense of better insight into customers' demands and differences between real and perceived quality. These centers generate data about customers and they are a key source for company management, and because of that a very important factor of monitoring and continual business development. On the other hand, CRM one of the most frequently used marketing strategies for its basis has connection with buyers and users which represents a key to all modern marketing processes. CRM is consistent with a new marketing philosophy which doesn't see the sale as the end of marketing process, but sees the riches in a buyer and customer. When the telecommunication market is concerned CCC centers which are components of all telecommunication systems, become starting point for gathering data and creating a special data base which is the basis and the key factor for CRM success [9].

3. Positive experiences of EU in telecommunication services market research; Examples of good practice in communication market research are presented in reports by expert groups of European commission for strategic projects related to the following fields:

- 1) Level of development of information society research; here a problem of general evaluation of telecommunication services is solved by defining synthetic indicators;
- 2) Evaluating telecommunication markets of countries which are candidates for EU membership; insight into direction of research and improvement of telecommunication markets was given which is very important for countries in transition, such as our country;
- 3) Market research and research of the level of implementation of the universal telecommunication service concept which represents the basic regulation frame in which telecommunication services providers work.

3. TELECOMMUNICATION MARKET RESEARCH AND INFORMATION SOCIETY

One of the most important EU projects when we are investigating how much a certain community is a part of information society is SIBIS (Statistical Indicators Benchmarking the Information Society) project which is realized within "Technology of Information Society (1998-2002)" program. Basic goal of this project is defining and using development monitoring indicators of information society, within action plan e- Europe 2005. SIBIS project includes these fields: Telecommunication & access, Internet, data protection and safety, e-education, e-business, virtual society, e-commerce, e-government, e-health. According to distinctive contents in the field of telecommunication & access and great number of defined indicators, it is very difficult to choose relevant indicators of telecommunication market condition. Within SIBIS project a great number of synthetic indicators were analyzed in order to combine two or more facts instead of creating new ones. However, this approach cannot be used in all aspects of analysis, especially when application and initiation of new technologies is concerned or new mechanisms of access. The solution is in combining two approaches: synthetic indicators and creating new indicators where necessary [1].

In cooperation with relevant statistic organizations two main criteria for synthetic indicators are defined:

- Only data from recognizable and renowned sources can be used;
- Compatibility and defined approach for period of time which certain data relates to. However, defining the criteria does not solve the problem of creating synthetic indicators. Conclusion made according to previous experiences is that there are many indicators which mainly give the evaluation of some service or technology existence, rather than the usage of the same, not to mention the benefits of that service or technology. By combining indicators for all three aspects of evaluation, co called "snapshot" indicators are attained, which represent general account of presence, level of usage and benefits of some telecommunication service. For better systematization indicators are arranged in hierarchy by grouping in fields and subfields.

Three main domains are: access, usage and influence of new technologies. Within every domain sub domains are defined: Wideband communications, Internet and Mobile Communications, and for every sub domain a specific number of indicators are defined- altogether thirty. Besides traditional indicators for information technology evaluation, within SIBIS project the following indicators for specific purpose are defined, in order to overcome problems of telecommunication market research complexity: (table1):

Table 1: indicators for information society evaluation (SIBIS project)

1.	Internet users structure according to bandpass
2.	Implementation of wideband technologies
3.	Choosing fast instead of dial-up access
4.	Internet users structure according to existing location
5.	Magnitude of on-line status
6.	Percentage of users who terminated home internet access
7.	Magnitude of internet access from mobile phones
8.	Internet users structure according to on-line status duration
9.	Magnitude of e-mail usage
10.	Level of integrated on-line services usage
11.	Exploitation of mobile network
12.	SMS users structure according to purpose (communication , data transfer,etc)
13.	Usage of mobile telephones in roaming
14.	Users' perception of wideband communication
15.	Obstacles related to Internet usage
16.	Synthetic indicator. Internet snapshot
17.	Synthetic indicator. Internet snapshot of mobile communication
18.	Synthetic indicator .Internet snapshot of wideband communication

Source: "Benchmarking Telecommunication and Access in the Information Society", *SIBIS report*, March 2003.

Besides the need for clearly defined indicators which will be analyzed within SIBIS project, it is necessary to determine precisely the way of gathering data, as well as the methodology of indicator analysis. IBIS project implies two great researches:

- General research of information society population- GPS (General Population Survey) which refers to residential users,
- Special research of business users – DMS (Decision Maker survey).

GPS research was carried out in the countries of the UE, plus Switzerland in the period of April-May 2002. Target group was residential users aged 15 and older. The aim of this research was gathering information about possession of ICT equipment, Internet use, e-commerce activities, abilities for using new media, e-government, tele-work, possibilities for work via mobile communication; the research of attitudes towards further education and work conditions, in the environment created by information society, was also carried out. Sole research was carried out via telephone network, by using RDD concepts of teleresearch, that is to say the users were interviewed via telephone. Subscribers numbers were shoes randomly by computer in order to ensure statistic representation of samples, interviews were conducted on the basis of standard questionnaires which lasted from 10 to 20 minutes. Altogether 11832 users were interviewed. DMS research was carried out in the period of March-May 2002 within the EU. Target group was representatives of companies; method applied was RDD method of tele survey which lasted from 14 to 18 minutes. The aim was to gather information about possession and use of ICT equipment, Internet use, e-commerce and e-business activities safety of e-business, e-government, accessibility and use of web pages, as well as the use of information-communication technologies in the field of research and development. Standard questionnaire was used and 3139 users were interviewed. [1]. The biggest contribution of SIBIS is in defining representative indicators for evaluation of information society development. Besides conclusions which regards to results of the research SIBIS project gives instructions for future telecommunication services research. The field which requires additional attention and effort is defining users' behavior pattern and factors which influence that behavior. It is very difficult to establish dependency between achieved level of information-communication technology development and its usage by users. Technologies in the field of telecommunication are developing fast, and very often independently of peoples' needs. Incompatibility comes from great differences in accessibility of some telecommunication services for wide range of users, as well as from the fact that most of the services require some level of computer literacy. Many services, motivated by fast development of technology, lose their user orientation. Great differences in the level of development of information society are caused by different social economic surroundings. One step further in SIBIS research would be determining dependence of "snapshot" indicators and social economic indicators (GDP for example) of examined area. A special analysis for evaluation of computer literacy is also needed, because apart from the need for technical technological infrastructure, further development of information society requires involvement of relevant institutions in realization of Universal telecommunication service concept.

3.1. Concept of «Universal telecommunication services»

Unique market as one of the imperatives of European integration has a strong influence on telecommunication sector. Additionally, telecommunication services, together with education and health care, are a part of general services of European civil society, so called «safety net» for a user. In this respect a great number of studies in the field of telecommunications go towards the analysis of implementation level of «Universal services» concept, as basic regulations and precondition for creating a unique telecommunication market. Responsibility if basic services which is one of the EU demands for joining, requires that basic set of telecommunication services (telephone, fax, Internet) is available for everyone and with available prices. Basic problem for realization of this concept are rural areas because they present zones of great expenses and therefore less attractive to telecommunication operators. Since result relativity of market research, in the field of telecommunications, greatly depend on the choice of participants in the process, it is necessary consider the reputation of potential “best practice” representatives, diversity in regulatory and institutional approaches of telecommunication market liberation, geographical and social-economic surroundings, defined set of services to be analyzed. These usually are:

- Public telephone network- PSTN (Public Switched Telephone Network), voice telephony services;
- Mobile telephony;
- Public telephone network - PSTN (Public Switched Telephone Network), data transfer and Internet access services;
- Fast Internet access services through PSTN (ISDN, ADSL, and VDSL), cable Internet, surface broadcast, and satellite access [3].

The next step is defining indicators, that is parameters according to which the analysis will be performed. When universal telecommunication service is concerned these are:

- Access (availability of services) and market penetration of services (users' demands); it is often taken into consideration the potential availability of services which users are demanding.
- Quality of services related to objective quality evaluation, such as time of dial-up connection setup, subjective quality evaluation by users, are not convenient for analysis if participants are from different countries since there are variations and high level of demand individuality.

- Service prices which must be regarded in the accordance with the size of target area and tariff packages in use. In the process of telecommunication market analysis it is necessary to keep in mind two basic groups of users- residential and business users have different demands when time and space accessibility, reliability and prices are concerned.

4. CONCLUSION

Successful use of marketing in practice is based on research methods and technique, efficient system of information and communication with surroundings and within telecommunication services provide organization. In the modern conditions of business marketing is not just a company function, but it is a process which integrates all subsystems and functions around one goal: creating values for customers and users of material and service products. Therefore, in the process of keeping users' loyalty and attracting new ones, marketing concept of telecommunication services demands exceptional commitment in order to connect with customers. Overcoming obstacles that providers of telecommunication services come across, when market research is concerned, demands great professional effort and involvement of management on all levels. Limitations and obstacles which environment imposes, specific nature of the services and all stricter demands of users demand continual improvement of telecommunication market services research methodology, which mainly regards to:

1. Defining the time and space frames of research by improving so called Cluster approach, which means that research is conducted for precisely chosen set of services (service cluster) or group of countries (country cluster) or group of service operators;
2. Defining development indicators by improving the concept of synthetic and "snapshot" indicators which give general evaluation of accomplished development;
3. Research techniques which use more tele-research;
4. Gathering and documenting data by using customer centers (CCC centers) as a starting data base for CRM concept.

The European Union attach a great significance to telecommunication services as a basic instrument of communication, trade and economic unity. Because of geographical belonging and orientation on European integrations, for telecommunication operators a unique market of EU is very important, where European telecommunication regulation standard is applied. That is why for a successful reform of telecommunication sector in our country it is necessary to understand processes of keeping up and European telecommunication market research.

REFERENCES

- [1] "Benchmarking Telecommunication and Access in the Information Society", *SIBIS report*, Mart 2003.
- [2] *Commision of the Evropean Communities* ; Commision staff working paper- Technical Annexes of the Eight Report on the Implementation of the Telecommunications Regulatory Package ; Brussels 03.12.2002.
- [3] Cullen International SA – Study on Universal Service in the Accession Countries; Executive Sumary; June, 30 2003.
- [4] Gad Nathan "Methodologies for internet surveys and other telesurveys", *Hebrew University-Dept. of Statistics, Jerusalem*, Israel, 2003.
- [5] "IT Services Europe Cluster Research", *Gartner dataquest*, 2005.
- [6] Marijana Davidović, Snežana Pejčić-Tarle "Indicators of structural changes in European telecommunication service market", *Telfor*, 2004
- [7] Stojanović V. : Economy of services, APEIRON, Banja Luka, 2008. ISBN: 978-99938-29-72-0
- [8] "Telecommunication Indicators Handbook", ITU 2005.
- [9] "Ten Significant Implementations in CRM: Customer Call and Contact Centers", *Aberdeen Group Inc.*, Boston, Massachusetts, 2002.
- [10] Vinka Filipović, Milica Kostić, *Management marketing*, FON, Beograd, 2001.

THE ROLE OF ENVIRONMENTAL MANAGEMENT IN THE EVOLUTION BOSNIA AND HERZEGOVINA

Veljko Đukić

Pan-European University, Banja Luka, BOSNIA AND HERCEGOVINA,

e-mail: ognjendj@gradiska.com

***Summary:** Unlike the currently experienced practice, author offers a new approach to the environmental protection issue. To different types of management he adds the environmental component, which has attained a notable level, both as a contribution to the subject of successful development of the economy, and on the implementation level, where it can serve as one of the sources of competitive advantage.*

***Key words:** Environmental, management, evolution, development.*

1. INTRODUCTION

The environmental protection, constituting an interdisciplinary knowledge of the environment and studying changes taking place in it, is - speaking in terms of the classical perspective - the subject of a variety of orthodox disputes and objections. Why is it so? Any investment into the improvement of the environment and natural mass flows, as well as reproduction chains is, from the point of view of classical economy, just a cost unacknowledged on the market. It is for this reason that it exhibits uncompetitiveness or its trend.

To sum up, the reference point of the classical trend of the market economy is consequently a most rough confrontation on the commodity and capital market. The most recent understanding of the topic has rather slowly, yet persistently, taken quite a different approach to it.

Following the statement [Trstenjak, 1984], claiming that it is the environment that will assure us, as a species, survival, the following assumption - being in its essence much more cybernetic as it may seem at the first glance - can be adopted: "In a restricted system, unlimited growth and development are impossible."

Though a more detailed comment on the above is most likely unnecessary, it might be useful to complement the above idea with the following consideration. Namely, the permanent man's interference in nature, from where he takes and returns anything that he needs and does no longer need for his high standard, has considerable consequences on nature. To have them removed or soothed, it is necessary to adopt most rigorous restrictive, legally enforced measures [The Law of Environmental Protection, 1993]. Also, quite an effort should be made in the future to make entrepreneurs, groups of people and the society as a whole fully aware of the environmental issue.

The purpose of the paper is to challenge the greatest possible number of managers to give a serious thought to the problem and to contribute their share in order to get the environmental issue under control. In the opposite case, there will be no one to make business with and to practice economy.

2. RELATIONSHIP BETWEEN ENVIRONMENTAL PROTECTION AND MANAGEMENT

The management structures are - apart from their technical aspects - a function of some other factors, too. One of the most important is the environmental protection.

Environmental protection is consequently as science, or a complex of interdisciplinary kinds of sciences, which assure survival for the human species, an indispensable component of:

* knowledge

- * comprehension and
 - * behaviour of the modern management and also individuals declaring themselves as managers [Bremert, 1995].
- Within the above context, it would be necessary to particularly focus on:
- * future conditions of business operations
 - * future and already current conditions of trading on the market and
 - * environmental components of competitiveness or environmental dumping.

2.1. Business Conditions

The state of business in the world has brought, both on the regional and the local markets, the environmental dimension into the focus of its attention, along with the existing economic dimension. Some of the most illustrative examples supporting this statement are:

- * environmental trade mark - there is quite a series of them (blue angel, recycling signs, environment friendly, with no CFC, etc.)
- * use of returnable packing
- * suppression of the too large quantities and types of packing materials (in EC countries, there has been a corresponding legislation adopted)
- * development of biologically decomposable packing materials.

2.2. Operating on the Market

The modern market necessitates a competitive involvement of the manufacturer. His success depends on the effort he makes for the development and manufacturing of his products or performance of his services.

The group of competitive products encompasses environmentally acceptable products and services, i.e. those that, after being used or after they no longer function, stress the environment to the least possible degree.

Some of them are washing and cleaning means free of phosphates, unleaded gasoline instead of the leaded one, implementation of some cleaning systems (for instance SO₂ with Ca(OH)₂), etc.

2.3. Environmental Component of Competitiveness

Considering the most accurate monitoring of material and energy flows, and balances in production and service spheres, it is quite hard to ignore in developed markets the question whether the cost of a product includes the cost of the environmental protection.

The environmental protection cost encompasses:

- * waste water cleaning
- * municipal waste disposal
- * special waste disposal
- * cleaning of gaseous emissions
- * decrease in noise emissions
- * decrease in radiation emissions and vibrations,
- * cost of investments into development, equipment, technology and overall systems providing for minimisation or removal of stressing effects of the production and service activities on the micro and macro environment [Wagner, 1990], etc.

The costs of the kind for individual production programs, products and services have already been standardised by progressive countries in the below form: money unit/product or service.

There are no such systemized models by us. This is why our exporters have to cope in developed markets with the so-called environmental dumping. The term for this phenomenon is quite an adequate one as it reflects the fact that foreign manufacturers or bidders very persistently require from our bidders, as their competitors on the market, to exactly prove the share for the environmental service in the quoted price, or in other words, to define the cost for the performance of the friendly approach and relationship with the environment.

Besides the above, the observed issue envisages managers with quite a number of other questions:

- * how to integrate the environmental protection with the overall image of the company
- * how to evoke the inner environmental awareness in companies (in any hierarchical structure and on any hierarchical level)
- * how to influence the environmental development of the company (not just the production program or services)
- * how to modify or restructure those programs within the company that are no longer interesting on the market for modern or expected trends as a result of an increased care for the environment [Heinen, 1976] ?

Generally speaking, tendencies and trends in the area of the strategic management have made a shift in favour of a positive relationship with the environmental protection and with the environment friendly technologies as competitive factors.

Following the above, quite many new ideas and even new development projects can be identified:

- * bio-nutrition

- * sustainable development
- * environment friendly technologies
- * natural park
- * renewables.

The list of areas could be continued, yet, it is already with them that there are many dilemmas to be coped with.

Some of the basic ones are:

- * how to keep growth and development of the human species on the planet of Earth under control?
- * how to assure for the current population a sufficient quantity of food (of biological value or just sufficient in quantity)?
- * how to preserve natural conditions and resources with the target of preserving current conditions as a prerequisite for the existence of this population?

3. THE ROLE OF MANAGEMENT IN THE ENVIRONMENTAL PROTECTION AREA

Apart from the above questions, there are quite many others that the management shall have to become concerned with. It is with this regard that some of the important areas should be defined so that the management, owing to its influence on the world movements, should get involved with in order to solve them also within its capacity or responsibility. These are mostly:

- * introduction of cleaner technologies
- * introduction and practical implementation of the philosophy that the waste that is never created is the one that is the most suitable
- * introduction of recycling procedures and completed mass energy cycles
- * decreased and rational use of water as a natural source
- * introduction of the economising philosophy of natural conditions and resources
- * motivation of collaborators for any type of the environmental awareness and, along with it, motivation for the assurance of economising and propulsivity of the company
- * capital investment into sanitation projects to provide for a higher level of quality of the environment
- * capital investment into production and service activities to decrease impacts on the environment, or to pave the way for the technology, knowledge and service activities that will allow the environmental sanitation or prevention and reduction of harmful effects on the environment.

4. INSTEAD OF CONCLUSION

Managers themselves shall be playing a decisive role in the achievement of the above targets. It is only after they have adopted such a manner of the business way of thinking, and have also started to implement it in its basic traits, as shown in former chapters, that it will be possible to plan:

- * environment friendly technologies, products and services
- * sustainable development
- * higher level of integrity of man with nature and, at the same time, his understanding of the natural phenomena, and by doing so, also a higher level of the environmental awareness.

The development of the sustainable living and practising of economy, to be done by the man on this planet, thus imposes on managerial structures an enormous responsibility. This in particular applies for the areas of:

- * education
- * production and services
- * economic interpretation of the meaning of the healthy environment and
- * modification of the life concept in the high standard context.

REFERENCES

- [1] Bremert, W. E.: Ökologisches Management, Wirtschaftsverlag Überzeuter, Wien, 1995.
- [2] Heinen, E. Grundfragen der entscheidungsorientierten Betriebswirtschaftslehre, München, 1976.
- [3] The Law on Environmental Protection, Official Gazette of the Republic of Slovenia, Ljubljana, 1993.
- [4] Trstenjak, A.: Environmental Psychology, ÈGP DELO, TOZD Gospodarski vestnik (Economy Review), Ljubljana, 1984.
- [5] Wagner (Hrgs.): Unternehmung und ökologische Umwelt, München, 1990.

HUMAN RESOURCE MANAGEMENT

Veljko Đukić, Biljana Đukić

Pan-European University, Banja Luka, BOSNIA AND HERCEGOVINA,
e-mail: ognjendj@gradiska.com

***Summary:** The dynamics with which changes are taking place in companies has led many managers to better appreciate the necessity and the advantages of comprehensive human resource management. This pressure to change has also helped to generate numerous social innovations within the field of human resource management. The call for each sub-area to play its part in increasing the value of the enterprise is setting new accents in human resource management. The main starting points for increasing the value of an enterprise lie in improving productivity, employee creativity, and motivation.. Productivity is increased through personnel development and personnel placement measures. Personnel retention instruments (incentive systems) are almost certain to have an impact on motivation. Ways to influence creativity include selection measures (looking out for candidates with creative potential during the recruitment process) and personnel development measures (consciously enhancing a person's capacity for interdisciplinary thinking, practicing creative techniques).*

Key words: management, human resource, motivation, creative potential.

1. INTRODUCTION

In the German-speaking world, the term used to describe this article's general subject area has changed in the course of the last decades. At first the term Personalwesen (literally: personnel system) was used. The term Personalwirtschaft (German for economic human resource activities) was also repeatedly popular. In recent times though, the term Personalmanagement or simply the English term Human Resource(s) Management has predominated. This term underlines the fact that the related task complex is integrated into the overall management process. The link with other management elements (such as corporate targets, strategies, planning, organization, controlling, and so on) is accentuated by this name.

2. PROCESS FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

The core functions of human resource management can be thought of as a process – from determining personnel requirements through to reducing excess personnel capacity.

2.1. Determining personnel requirements

When personnel requirements are determined, the following basic questions are asked: How many employees (quantitative aspect) with what skills (qualitative aspect) will be required at what locations (spatial aspect) at what time, and for how long (time aspect), in order to effectively and efficiently carry out the corporate tasks? The objective, therefore, is to plan the target staffing level. In the future, this planning task will prove to be particularly difficult. In the last few years, we have increasingly moved away from position-based thinking and are constantly re-devising ways of making the necessary quantitative and qualitative personnel capacity available[1].

The main uncertainty lies in the fact that for many companies the strategic horizon has shortened, making it a lot more difficult for an enterprise to plan its overall development. Apart from this interface to strategic human resource management, there are also other problems that make it difficult to calculate the net staffing

requirement. One factor is the difficulty of estimating changes for certain person groups (such as resignations, choice of retirement time, utilization of time credit), which has to do with the loyalty of the individual towards the employer (and vice versa) – which is hard to estimate – and corresponds to the growing tendency to not so much tie yourself and your career to a company, but rather analyze the development potential offered by various job opportunities[2].

New personnel requirements are more difficult to calculate because organizational changes (triggered by mergers or restructuring programs, for example) occur more frequently than before, and the tendency is growing. New investments also need to be taken into account, since these can also generate additional personnel requirements. These investments are closely linked to the strategic decisions of the enterprise and underline the dynamics mentioned above, or the shortening of the strategic horizon. Overall, companies will need to get used to the idea of having to cover their personnel requirements flexibly (limited contracts, leasing of staff, project-based cooperation forms, and so on). Such devices help a company avoid legal difficulties, and give it room to maneuver when it has to adjust to changed circumstances (new strategies, new framework structures, new directions in enterprise culture, etc.)[3].

2.2. Personnel recruitment

The aim of personnel recruitment is to remove staff shortages and provide the human resources necessary for a company to perform its tasks (consideration of quality, quantity, spatial, and temporal aspects). In this area, the future will show companies getting more involved in labor market research in order to be able to quickly recognize the opportunities offered by the external and internal job markets[4]. Labor market research can include a more in-depth look at the demographic development (better use of older people, early recognition of shortages of young people). Companies will also have to increasingly get to grips with a 'soft factor', which, in this context, means constantly checking the corporate image, both inside and outside the existing body of staff.

In the last five years, the use of electronic labor exchanges, for example, has increased dramatically, particularly amongst the younger generation. Aware of this, companies are now heavily investing in the area of electronic recruitment[5]. They are hoping that this will help rationalize the recruitment process and create a better fit between what the employer offers and what the employee demands for comprehensible portions of a person's professional progress. In the personnel recruitment area, there are now a vast number of specialized recruitment agencies operating outside the inner-company personnel departments[6]. If they are good, these agencies can benefit a company because they have a better knowledge of the relevant job markets. They can also help to reduce the hiring risk through pre-selection based on a requirements profile and the environment of the person to be employed.

The instruments used for selecting personnel have become more and more sophisticated. Alongside the classical instruments, the Assessment Center, in its various forms, has become particularly wide-spread. An international comparison shows that Switzerland considers the expert opinion of a graphologist a relatively important tool. The trend however, is tending more towards multidimensional support for the selection process. A single selection instrument is no longer going to be reliable enough. In regard to the organization of the last phase of recruitment (the employee introduction process), there is almost certainly room for improvement. The importance of targeted familiarization, in both a person's professional area and the corporate culture, is still underestimated. The motivation and productivity of a new employee can be lastingly improved through conscious management of the induction process, with major involvement of the respective area heads.

2.3. Personnel development

The main objective of personnel development will continue to be to achieve the best possible match between the requirement profiles of the jobs and the skill profiles of the job-holders.

The qualifications targeted are intended to put employees in a position to fulfill present and future requirements. To achieve this, educational measures are introduced, or on-the-job training is provided. Estimations of employee potential will become increasingly important as an information base for these measures. Do the employees have the potential for further development on a horizontal (use in other functions), vertical (higher position through increased responsibility) and intercultural (use in other cultural spheres) plane? Estimating the requirements for the different organizational units is becoming more and more difficult due to the growing frequency of organizational changes.

For a new global enterprise, although the employment market is bigger, it is not necessarily more transparent. The same applies to the education market, which is no longer comprehensible, even for major concerns with extensive internal resources for evaluating what is offered externally. In terms of educational processes, the German-speaking world is still considered extremely competitive[7]. This assessment is based on existing skills

and the visible reform efforts in the area of vocational training, and on the extremely broad spectrum of further education opportunities (which are increasingly modular in structure and more interchangeable).

The rapidity of technological changes has resulted in many companies and external institutions acquiring considerable competence in the area of retraining programs. In the interests of personnel employability, this competence will be something that is heavily relied on in the future as well. An increasing wealth of variety is also apparent in the area of position-related personnel development measures.

2.4. Personnel Placement

Personnel placement involves the concrete allocation of employees to the tasks that need to be fulfilled. Once again, quantitative, qualitative, spatial, and temporal aspects have to be considered. At the end of the last century, it was possible to see a tendency in relation to the profile of the workplace, which will almost certainly continue into the new century as well. At first, in the course of the industrialization process, there was a strong move towards specialization, something which led to enormous progress in terms of productivity, but had a negative impact on the motivation and employability of personnel. This led to considerations about job enlargement, and was later followed by measures to afford real job enrichment. This last stage is extended even further by the concept of empowerment[8].

For today, the objective is not just to supplement job content with dispositive elements (more freedom in questions of planning, organization, and control, for example) but also to provide employees with powerful information technology tools and encourage them, by means of qualification measures, to use new opportunities and acquire the means to satisfy the new requirement profiles through their extended areas of competence (also see Personnel Development).

An important aspect of personnel placement may also lie in the development of partially-autonomous work groups, to which the responsibility for connected task fulfillment processes is largely transferred, provided certain basic conditions and specifications are observed. This is only possible if preceded by extensive qualification measures, and if the corporate culture fundamentally supports values such as autonomy and subsidiarity.

2.5. Personnel retention

This process function involves the use of human resource management instruments that stimulate staff performance, and also have the potential to increase productivity. After several decades in which the discussion had gradually narrowed to a consideration of material incentives only, today, more balanced concepts have come to the fore. Even within the financial incentives, there is a lot of differentiation, while demands for performance-related pay and greater flexibility are being given far more attention than they used to be. Within the immaterial incentives, there is an increasing tendency to recognize the importance of working time, possibilities for personnel development, participation in the communication process, support and recognition from various group members, and so on.

The distinction made between extrinsic and intrinsic motivation has become generally accepted, and is likely to continue to provide inspiration to those responsible for creating corporate incentive systems in the future as well[9]. For those person groups with above-average education in particular, the incentive seems to be provided by the work itself, by the challenges associated with the work, and the chance for individual learning to take place, and these insights provide an important starting point. With a combined approach, it is important to make sure that intrinsic motivation (being moved by the experience of achieving a task in a meaningful way) is not smothered by extrinsic incentives (specifically of a material kind).

2.6. Personnel release

Personnel release (staff reduction) is understood to be the removal of personnel redundancies (again considering quantity, quality, temporal and spatial aspects). Due to the increasing dynamics of the corporate environment and the need for more frequent restructuring, companies are increasingly having to get to grips with the complex instrument of personnel reduction. Mass dismissal remains the last resort and is to be avoided whenever possible by means of timely measures to remove personnel redundancies.

Companies have already developed a sophisticated range of instruments for direct and indirect personnel reduction. Not extending fixed-term contracts, cutting back on personnel leasing, or increased inner-company redeployment, are all measures that fall into the category of indirect personnel reduction. The use of flexible working time systems (see above) also provides ways of better matching staff capacity to the order situation.

Outplacement advisors cannot create new jobs, but they can better illuminate the existing range of possibilities on the relevant job markets and, in the course of individual discussions with people who have been made

redundant, identify starting points for a new professional orientation which match up with the core skills of the client. In view of the continuing wave of restructuring measures, the services of outplacement advisors are likely to remain very popular in the future as well. It is also likely that other solutions related to personnel reduction will develop. One such solution might be to provide low-interest venture capital for former employees who want to become self-employed.

3. CROSS-SECTION FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

The cross-section functions have one thing in common: they can have an impact on all the process functions mentioned. Here, the focus is on personnel controlling, personnel marketing, personnel information, and the organization of human resource management as a whole.

3.1. Personnel controlling

Personnel controlling supports the planning and control of all human resource management activities or the corresponding agents, and also organizes the information supply. There are now sophisticated key figure systems (ratios) within the area of personnel controlling. The individual key figures are established so that any human resource management measures that might be necessary can be undertaken. A concrete example of this is the recording of staff absences as a basis for systematic measures within absence management. These can include better organization of working time, a review of the incentive systems, the redirection of personnel development measures, or improvements in the area of inner-company communication. Since it is more easy to determine key figures today, it is also necessary to warn against using them excessively.

The relationship between a key figure and the underlying human resource management objective has to be very clear. The qualitative dimensions in personnel controlling must not be forgotten. An increasing number of companies are undertaking systematic employee surveys in order to gain valuable insights into how to begin improving their human resource management. Here, particular attention will need to be paid to the construct of job satisfaction. For practical purposes, this has to be broken down into various dimensions. A key to interpreting the results of such surveys is to be found in establishing whether the expectation level of the person questioned has changed since the last time their job satisfaction was measured [1].

In connection with personnel controlling, attention also has to be paid to the problems of acceptance and data protection. In many companies, personnel controlling is sadly often just seen as a rationalization instrument. This can lead to resistance on the part of the employees (when it comes to data collection, for example) or to a rejection of measures derived from insights gained in personnel controlling. The data protection problem lies in the danger that personnel controlling data will be misused. This danger increases with the complexity of the controlling system and the number of persons authorized to access the information.

3.2. Personnel marketing

The primary aim of this cross-section function is to create favorable conditions in order to increase the attractiveness of an employer on the internal and external employment market. This improves the employer's chances of gaining and retaining qualified and motivated personnel. The analogy to marketing lies in the fact that the current or potential employee is seen as a customer, and the workplace and all surrounding factors are viewed as aspects of the customer-oriented product.

A prerequisite for systematic personnel marketing is a solid information base. This is where connections to process functions (such as personnel recruitment) become apparent. More precisely, insights gained from research, such as labor market research, vocational research, and mobility research, become relevant. This information side of personnel marketing also benefits from knowledge gained in personnel controlling. The information side has to be counterbalanced by an action side[10]. The action side involves activities already mentioned in the section about process functions. Examples include organization of the workplace in accordance with employment market criteria, and the formation of different target groups for personnel recruitment and personnel development activities. The organization of the incentive system (see Personnel Retention) is a core factor here. In earlier times, the subject of personnel marketing was often reduced to just the one aspect – management of communication – or even just to organization of recruitment. Today, the concept is much broader and seen as an integrated element, but the communication side still plays a very important part.

3.3. Personnel information

The new media can, of course, also be used to great advantage within the area of inner-company information. This must not lead to employees being flooded with information, however. The principles of communication that promotes understanding (the creation of a common language between the communication partners, need to be given even more weight in view of the easy availability of large volumes of information[11]. The internal web world opens up new possibilities for fast information exchange. At the same time, the danger that misunderstandings will occur grows. The medium does not relieve managers of their personal responsibility for information and communication. Printed media continues to be very important. While fast information is increasingly being moved to the electronic medium, a suitably designed employee magazine can provide the necessary background information[12].

3.4. Organization of human resource management

The purpose of this cross-section function is to regulate the interplay (division of work and coordination) of the various agents within personnel management. These agents include internal human resource management specialists, managers at the various levels, and not least, any number of external service providers with various specialties (such as consultants for personnel recruitment, trainers, working time specialists, outplacement advisors[13]. A basic question concerning the internal management professionals regards their concentration, or how they are distributed across the hierarchy.

Even in the largest Swiss enterprises[14], the top personnel manager is only directly represented on the Executive Board in 50% of the cases. For the most part, personnel policy is also not yet integrated into overall company policy. Often, decisions made at the corporate level are simply passed down to human resource management with an implementation order. Within the general human resource management task load, there are areas in which internal personnel experts can largely make independent decisions (e.g. labor law, social system, personnel administration, personnel information systems and – to quite a considerable extent – personnel controlling).

Many tasks in human resource management need to be reviewed in the interests of more internal customer orientation. This raises the question as to which parts of personnel work can be organized like a service center, or even like a profit center[15]. There seems to be growing openness towards the latter variant. There is no doubt that this organizational form promotes the entrepreneurial thinking of the agents. It is also an attractive proposition for qualified employees. Seen in terms of the overall system, the benefits include greater transparency in the areas of cost and performance, more flexibility to meet internal demand, and the creation of a rational basis for making outsourcing decisions.

There are several obstacles in the way of a wide-spread virtualization of human resource management. For a start, there are technical problems because of incompatibilities between existing platforms in the IT area. Work in heterogeneous teams often leads to a reduction in the transparency of the overall system, and therefore, to increased coordination costs[16]. The fact that communication is largely via electronic media means that important information, that can only be conveyed in a direct personal encounter, is lost. This could make it more difficult to check reliability. In particular, this concept raises the question as to how a virtual personnel department can fulfill its cultural function.

Since it is distributed across the entire enterprise (and therefore integrated into various sub-cultures), it is only partially capable of developing a departmental culture. However, it could also be argued that decentralized decision-makers from human resource management are in a position to create more common cultural elements than a central personnel office.

4. CONCLUSIONS

The dynamism with which changes are taking place in companies has enabled many directors to better appreciate the necessity and advantages of comprehensive human resource management. This pressure to change has also helped to generate numerous social innovations within human resource management. The call for each sub-area to play its part in increasing the value of the enterprise is setting new accents in human resource management. The main starting points for increasing the value of an enterprise lie in improving productivity, employee creativity, and motivation. The human resource management functions discussed can have a positive impact on these aims.

Productivity, for example, is increased by personnel development and personnel placement measures. The personnel retention instruments (incentive systems) are almost certain to have an impact on motivation. Ways to influence creativity include selection measures (looking out for candidates with creative potential within the

recruitment process) and personnel development measures (consciously increasing a person's capacity for interdisciplinary thinking, practicing creative techniques). Creativity is also favorably influenced by the opportunities that are available within the working environment. The ideal scenario would be a corporate climate that promotes creativity, gives the employees room to maneuver, frees them of unnecessary bureaucracy, and takes them into work situations that are rewarding, or even empowering.

In the last decade, reflection about the ethical foundation underlying management processes has intensified. Considerations relating to corporate ethics are also relevant for the area of human resource management (see Personnel Controlling). In the course of decision-making within human resource management, there are many occasions at which the ethical standpoint becomes significant. One example is the selection process, which might be carried out in a way that is demeaning for the candidates if there is no ethical foundation upon which it is based. The same applies to the way the severance process between an employer and an employee is organized. The decision to opt for a constructive approach, such as outplacement (better: new placement), is made against the background of a certain image of man, which in turn is rooted in the basic moral values of the decision-makers. An enterprise's general moral values can find expression in the guidelines it sets up. The power of such guidelines to change behavior largely depends on the way they are conceived. The more this occurs through open discussion between managers and employees, the more the values will also be able to serve as guidelines for behavior in concrete leadership and cooperation situations. In the view of the author, questions regarding the ethical basis of human resource management instruments are likely to become more important in the future.

REFERENCES

- [1] Bayard N, Unternehmens- und personalpolitische Relevanz der Arbeits--zufriedenheit, Bern - Stuttgart – Wien, 1997.
- [2] Becker, B. E. et al., HR as a Source of Shareholder Value. Research and Recommendations, in: Human Resource Management, vol. 36, 1997, No 1, pp. 39 – 47
- [3] Probst, G.; Raub, S.; Romhardt, K., Wissen managen, Wie Unternehmen ihre wertvollste Ressource optimal nutzen, 3rd ed., Wiesbaden, 1999.
- [4] Scherm, E., Unternehmerische Arbeitsmarktforschung, München, 1990.
- [5] Zimmermann, D., IOP-Award: Excellence in HRM 2001 – Best in Electronic Recruiting, Auswahlverfahren – Preisgewinnerinnen – Reaktionen, Bern, 2001.
- [6] Thom, N.; Kraft, Th., Die Zusammenarbeit zwischen Personalberatern und Klienten bei der Suche und Auswahl von Fach- und Führungskräften, Ergebnisse einer empirischen Untersuchung in Deutschland und der Schweiz, Bern, 2000.
- [7] Münch, J., Qualifikation als Standortfaktor. Deutschland, USA, Japan im Vergleich, Hochheim, 1999.
- [8] Hammer, M.; Champy, J., Reengineering the Corporation, A Manifesto for Business Revolution, New York, 1993.
- [9] Frey, B. S.; Osterloh, M., Managing Motivation, Wiesbaden, 2000.
- [10] Thom, N.; Zaugg, R. J., Personalmarketing - auch in rezessiven Zeiten? in: io Management Zeitschrift, Vol. 63, 1994, No. 4, pp. 72-74.
- [11] Cantin F., Die innerbetriebliche Kommunikation verstehen und gestalten - Ein konstruktivistischer Ansatz, Bern - Stuttgart - Wien, 1999.
- [12] Jörg, P., Mitarbeiterzeitschriften analysieren, bewerten und verbessern, Bern, 1998.
- [13] Kraft, Th., Personalberatung in Deutschland und in der Schweiz, Bern, 2001.
- [14] Thom, N.; Zaugg, R. J., Organisation des Personalmanagements, Konzeptionelle Grundlagen und empirische Ergebnisse aus der Schweiz, 3rd ed., Bern, 2000a.
- [15] Wunderer, R.; von Arx, S., Personalmanagement als Wertschöpfungscenter, 2nd ed., Wiesbaden, 1999
- [16] Drumm, H. J., Virtualität in Organisation und Personalmanagement, in: Zeitschrift Führung + Organisation, Vol. 67, No 4, 1999, pp. 196-200.

MANAGEMENT IN TIMES OF CRISIS

Gordana Đuretić

Faculty for Education of the Executives, Belgrade, SERBIA, e-mail: gordana.djuretic@fpp.edu.rs

***Summary:** Crisis is a part of environment we live and do business in. Top managers turn crisis in opportunity of improve business, form new strategies, new competition and fast solution of postponed problems. By the way the crisis is managed depends the measure in which the organization will have negative consequences, and if managers will see it as danger or use it as new opportunity..*

***Key words:** Crisis, management, sanitation.*

1. INTRODUCTION

The fact is that society is changing all the time and that is the event that influences business of the company. On such changes in the environment, company must pay attention, and prepare an adequate answer. Passivity of the company to changes brings it in danger. Then it becomes less competitive and loses the market, until the existing of the company is endangered. Such negative changes in business of company with tendency to go worse are called the crisis of company. Undoubtedly, not every change leads company in danger. But also it is a fact that some companies are not prepared for changes and do not have mechanisms to show early to dangers that can appear quietly and from all sides at the same time.

Turbulence of changes as event that shows the speeding of complexity of situation is present everywhere in the whole world. So, we can say today that we live in the world of changes, and there will be more changes in the future. As a consequence of that, crisis of companies in the future are inevitable.

In conditions of crisis, management of conflicts becomes vital problem, because stress is caused by crisis and reflects on complete psychic life of people, making them more conflict than in normal circumstances. People who are burdened by fear for the future, other people see as danger, as competitors and they become anxious, vulnerable, intolerant, impulsive and prepared to react aggressively even on meaningless things, so conflicts are not only unavoidable but deeper and harder to solve than usual.

Building of system of detection of changes and warning on danger should be a priority to companies that want to last.

2. CHARACTERISTICS OF THE CRISIS

Crisis situations are as old as mankind. Their names and dates mark periods, and under their influence societies and cultures changed. They make integral part of history. Although history is not made only of crisis, dangers and catastrophies, these events have dramatic influence of society, forming our behaviour and ideas in the past, present and future.

A crisis situation is always preceded by danger. Unless we are ready to react in proper way, the crisis can very easily turn into catastrophe.

With the advance of society and technology, mankind faces numerous and various crisis. Our planet became a world of risk where activities of one country have dramatic influence on people outside of its borders. This is true for devastating crisis such as: natural catastrophies, nuclear and industrial accidents, laboratory experiments that loose control, different social conflicts, hunger and epidemics of diseases etc. Crisis, are, laboratories for social life on which people react in different way. In many countries they are ignored, like Serbia, without adequate and

systematic approach (just regular loan of money from IMF). Unlike Serbia, in Japan one factory for production of steel, that faced decreased want for their products, fast and over the night, re-organized to save their employees. They identify the need on market, oriented production on that and now they produce salad [17]. That kind of flexibility can not be reached over night. It is obvious that complete program was done as alternative solution before recession. The point of this example is that crisis can not be survived without strategic and fundamentally new kind of thinking and approach.

3. TERM CRISIS

The word crisis is use commonly in everyday speech. It is used to describe personal situation, but more often to describe condition with potentially negative consequences where society as a whole is and some organizations and systems in it. Although word crisis is used a lot, there is not a universally accepted definition of this term. Etimologically seen, the word 'crisis' comes from Greek language and means 'decision' or 'verdict', or a time that judges about positive or negative development. On mandarine it is simbol for 'danger' and 'opportunity' which means that crisis is good and bad. However, experts for Chinese language say that that symbol is opportunity for danger [3].

Many scientists think that crisis is too complex to be easily defined.

Term 'crisis' is used to talk about all types of negative events. So, this term is used on situations that are undesirable, unexpected, unpredicted and cause incertainty [4].

4. CHARACTERISTICS OF CRISIS

Management of activities of some organization in normal conditions is different than management in times of crisis. It is necessary to know main characteristics of crisis so that management could deal with it in better way. It is hard, almost impossible, to mention all characteristics of crisis, because they are different in contents, lasting, characteristics... but it is possible to name three which are the same for all crisis. And they are:

1. *Inexpectancy*– crisis that occur without previous warning are rare. The rate of predicability is different and depends on weather management can not predict the crisis (terroristic attacks), or is not aware of the danger.
2. *Unreadiness* – managers are often not prepared, and sometimes unaware of crisis, because environment is complex and unreliable.
3. *Time pressure* – crisis is a temptation for manager's capabilities, because in conditions when manager is not prepared he must make decisions faster than before, which is a highly stressful situation. So, for successful management in crisis, it is necessary for managers to be aware of them and respect it when they for certain programs of management.

5. SYMPTOMS OF CRISIS

For spotting and conducting measures to overcome crisis, the most important are not causes, but symptoms. Symptoms of crisis are visible acts of crisis, but they can not be separated from the causes of crisis (because they can be a result of more causes of crisis, and become a cause of crisis). We can not always clearly see the link between causes and symptoms of crisis.

Existance of symptoms of crisis can often rely on coincidences and that is why it is not possible to give simple recipe for crisis. 'Symptoms of crisis are marks by which we can determine existance of crisis of the company.' [10]. Scientists analyzed typical crisis of companies and reached the conclusion that crash of company starts very slowly and than fastens quickly.

The first signs of crisis are manifested as decrease of market contribution and orders from buyers. This leads to decrease of sale, than income and liquidity of the company. Decrease of these factors, and bad usage of capacities can be identified in accountance data.

The nature of crisis is that it moves exponentially. The more there are symptoms of crisis, the more the company is in crisis and it is harder to take it back in balance – liquidity. It is very important to see all smallest signals of crisis and react fast. Unless the company does something, it will go deeper in crisis, slowly increase loans and decrease liquidity and soon will not be able to pay out any profit.

Intensity of crisis is changable. It is not easy to see early symptoms of crisi, because they can be interpreted in different way and have more causes. Indicators of crisis which are clear through practice are financial results:

- Decrease of sale
- Decrease of rentability
- Increase of loans

- Decrease of cash-flow
- Decrease of liquidity.

Individually or in groups, these data show the crisis. For example, if financing is getting worse and company is overdebted than it is damage to the profit. Overdebt and incapability to pay are signals of crisis.

Overdebiting occurs when it is necessary for functioning of company to have personal capital and huge amounts of other people's capital. In such company, capital is zero. Later, when crisis is advancing, symptoms like these can occur:

- Restrictive politics of dividends
- Inadequate re-investing in business
- Lack of planning
- Confrontation of the highest management to the ideas of others
- Passivity of top management.

Analysis of symptoms of crisis start from the assumption that company is a reservoir of cash and that its aim is to successfully manage money flow. When that reservoir is empty, the company is bankrupt. Test of factors like rentability, growth and liquidity should give data about depth of crisis in which the company is.

Besides financial, there are many other factors that point to the existance of crisis. Those are quality of product (that is not immune to decrease), suspicion of buyers and suppliers, neglection of repairs on facilities, and lack of purchase of inventory used in offices [10].

One of the tasks of management of the company, is to see when company can get into trouble. But it is not easy because of many factors, including practice of company to improve their results (cover weaknesses). Although every company in modern market system goes to certain general movements, that does not give the right to the management to neglect trends of results that could have bad consequences. Management today must discover symptoms of danger on time and rationally react on situation before it is too late.

Using its functions (financial accountance, accountance of company, control), inner accountancy of the company has to know and give information when it finds out for crisis. Unfortunately, accountance does not fulfill this task, or fulfills it partially in times of crisis. Sometimes crisis starts because accountance is not updated so crisis is found out about too late. Of course, this is not true for companies who find themselves suddenly struck by crisis. In most cases there is accountance in the company, but it is oriented on past and limited on tasks which are necessary to do for the balance (mark of state). The companies do not have information about expenses, that relate to current situation and which are used for planning and control. Very commonly in companies there is just partial accountance that is used to fulfill tax and legal and trade and legal regulations. Such companies are usually in crisis, because they do not have accountance which could give them early alarm for the beginning of the problem.

In case that accountance shows existance of crisis, there is no need for further hiring of other sources of knowledge. But other sources are very important in other phases of analysis. That is why it is important to be on the spot and talk to workers in the company so that the management could get a realistic picture about the condition in the company and depth of crisis. Those are mostly:

- *Co-workers* – management usually neglects experience and scientific potential that exists in the company and rarely uses it for identification of the crisis. Although it is real that workers are closer to places where crisis can be spotted. So, for example, workers of montage can early identify the decrease of quality of products and sellers can see the appearance of the advertising material by competition and decrease of sale as a consequence.
- *Management of the working place* - it represents one of the most important partners for conversation about problems. It connects management and workers.
- *Supervision of the company* – it is very important for management to get out of their offices and look at condition on the spot because this identification of the problem is much faster. In that way, for example, they can find stocks of unsold goods (before accountance show bad liquidity or drop of sale) or high level of bad products which are not for use.
- *Buyers* – contact with the buyers can also be very important. Modern approaches to business include marketing orientation of the company. Marketing is focusing the business of company to desires and wishes of the buyers, because they know the weaknesses or product/service, activities and advantages of competition etc.
- *Level of the branch* – communication on the level of business branch is also important if company wants to be informed.
- *Credit institutions* – they can also provide support to the programs of sanation and exit from crisis. They can give financial and professional help.
- *Distributors* – through conversation with distributors we can get information about competition, what and how they deliver...

- *Inspectors* – some companies have the need or obligation to give their final financial reports for inspection to independent body. It can identify and warn company on future problems too [10].

6. CAUSES OF CRISIS

When crisis is identified, then the focus is moved from symptoms to causes of crisis. There are more reasons why company needs information about the causes of crisis:

- As a base for evaluation of condition
- For determination of responsibility
- For future remove or overcoming of crisis on time.

Too much attention should not be given to determination of causes of crisis, because it can lead to negative consequences, such as working on past event instead focusing on future, but also too little knowledge about causes can negatively reflect to future removing and overcoming of crisis on time.

Causes of crisis always are those factors that directly lead to case of crisis. They are numerous and complex, so there are many criteria for their classification. According to background of changes they can be spread to endogen and exogen, where endogen are inner, and exogen are for the surrounding of company. Crisis of company is consequence of the lack of capability of the company to adjust to surrounding.

Researches of causes of crises can go in two directions: qualitative and quantitative. Quantitative research has results that can show direction to causes of crisis in company. But qualitative analysis gives suspicious data, because from them we can not without doubt identify the cause of crisis. Qualitative research tries through questionnaires and reports about individual types of crisis to determine direction to causes of crisis [10].

Extern causes of crisis

Basically, all major changes in surrounding can be a reason for appearance of crisis in the company. As the most important changes in the surrounding that can have negative impact on the company are: high prices on market of supply, change of course of currencies, oscillations, measures in the field of social politics, protection of environment, competition, tax politics, natural catastrophies, wars and strikes. The entrance of new competition in the market or associating of existing competition also can be reason for a crisis. Technological changes, changes in the structure of market and competition and existence of long-term recession with international character, are the most serious dangers for the company. In the scope of changes on the level of business there are two group of changes that clearly stand out that have negative effect on business: recession and crisis of the branch.

- *Recession* market condition endangerment of the company. It is aggravation of conditions in the whole business, but lasting is limited by some time period. After that time, the situation should get better. The aggravation of some company by these conditions depends entirely by connection business of the company-movements on the market and its capability to adjust to changes caused by such action. The companies with better management and companies with better equipment handle this situation in a better way. The action of recession on the company depends on the branch of business, since the effect of recession is not the same on all branches of business.
- *Crisis of the branch* has completely different causes and time dimensions. They are characterized by stagnation, or decrease of the market. The occurrence of substitutions through new technologies and decrease of request bring the crisis of the branch. Theoretically such event can have unlimited time lasting. But there are event that can terminate such condition and cause for new progress of the branch. Most causes of crisis of the branch is in changes of needs of buyers (new market situation), changes of basic technology because of innovation, in substitution. The crisis of the branch usually occur in the phase of stagnation of the business. Life circle of the branch give directions for the situation of the branch.

General recession of the branch uplifts on higher level the measuring ladder of business success, and companies which are not capable to fulfill expectations for normal functioning in such conditions are terminated, and others strengthen their position. The first stay under measuring ladder and as punishment they must leave the market. Individual capability of management is crucial for the survival of the company in cases of exogen causes of crisis.

Intern causes of the crisis

'Crisis in the house' are the most dangerous causes of crisis. The most often causes for this type are: mistakes of management and lack of personal capital, bad choice of location or legal form of the company, but also too wide or too narrow productional program, bad decision between alternatives product or buy, improvement of underqualified staff..

In case of sudden rise or decrease of the company, the existing structure can also become fact of burden for the company and inner source of crisis. The crisis can start from the management in case there is a fight for power or existence of personal conflicts. Too much administration can suffocate innovative power or flexibility of the

company. If a group of experts leave the company, that can also be a cause of crisis. Criminal actions (stealing in the company, bribes and fraud) from some members of the company can lead it to many serious problems.

Crisis can occur because of individual actions of endogen causes, and occurrence of additional exogen causes only make it deeper. The special danger lies in the fact that for the sanation of the crisis it is necessary to take part of highest management (owner), and it can find out for crisis too late, when there are exogen causes, and when job is much more difficult. The most common cause of crisis is in incapability of management, so the first logical step would be to fire the management (by the owner)!

Intern causes of crisis have their epicenter, which means that they must start their influence from one field (purchase, production, finances...) or one phase in the process of management (planning, organizing, control). The fact that companies get into crisis because of bad management. Bad management of the company as cause has these weaknesses of the management: general manager is autocratic, most members do not take part in decisions of the highest management, capabilities and knowledge of members of management are not equal, weak financial function, weak capabilities to manage on levels under the top management [10].

However, the most visible lack of the companies that get into crisis is a lack of capabilities for adequate reaction to change – and main guilt falls on management.

7. MANAGEMENT IN CRISIS

Research of crisis in the world is very developed. Management of crisis is the subject of research on many faculties or scientific institutes, and business companies have also seen the importance of crisis management, so that every big organization pays special attention to management of crisis. The situation in our country is completely different. Unfortunately, although we live on unstable area, the thought of crisis on our area is in the beginning, and practical action in crisis is often panicky – it is based only on instinctive reaction.

Crisis or sanational management can be made of people from the company and out of it. The central carrier of crisis management is the top management of the company. 'The highest management has legitimate position of power, and with it absolute competence to decide about all question.' [10]. Besides the crisis management, important role in overcoming of crisis can have other institutions and individuals, but they are not actively hired, but they are there to give certain support.

The most important thing in managing people in crisis, is that management of the company shows presence, competence and determination. It is also very important to inform people, so, to introduce them to all difficulties which would provide collective overcoming of crisis. The crisis management should set realistic aims, make them widely known and regularly inform workers about their fulfillment. The sense of success additionally motivates and speeds up the overcoming of crisis. However, the familiar behaviour of managers and owners of company of the company, when something goes wrong, is rather in one direction. Crisis is not something that occurs all of a sudden. It develops for a long time and it is visible for afar, although it does not look like that when it occurs in the strongest form. In the moment when it occurs, managers have to answer the hardest question (for survival of the company) – *what should be done with expenses – which should be decreased and which should be cut down completely?* Somehow, the first budget that is cut down is the one that is meant for the education of the workers [11]. I agree with most of analysts who think that it is the most illogical movement, because it is a fact that educated, capable and better employees will react in a better way and generally, face the problem in a better way than those who did not even meet crisis in theory. Crisis situation is definitely not a moment to select and recruit new workers, it is much wiser to use what the company already has, and since the company paid for their education, it is time to get the invested back. In such a way, the management sends a clear message to employees that they are ready to rely on the workers and in hard times give a possibility to show knowledge and creativity to save the company and their job.

In order to insure motivation and strengthen it, it is necessary for crisis management to talk about improvements and successes already achieved. However, in that way they do not terminate danger of turnover. When negative turnover happens, when the further survival of the company is endangered, the most qualified workers and managers leave the company first (because they are capable to find jobs in other companies) [7]. For successful management of crisis and sanation of the company, the reversed situation would be more desirable – company should be left without less qualified managers and workers, because they cause the crisis very often or contribute it in a great deal.

8. MANAGEMENT IN CRISIS

Crisis are as old as mankind. The first people faced dangers from all around. Only those who were capable to see those dangers could adequately prepare and survive. Today situation is different because the whole science

developed that has the aim to predict and protect man from possible dangers, and if they happen, to successfully handle resources so that they can do quick sanitation and provide that crisis does not happen again.

In modern period of business, there are three key events, and they are: DANGER-CRISIS-CATASTROPHY. The companies which are prepared, and have developed procedures in times of crisis usually start a 'battle' with it while it is still in condition of danger, so rarely there is catastrophe. However, companies which do not have such procedures and do not notice danger, face it and fight only in stadium of catastrophe [19].

There is no answer on the question about the proper dealing with a crisis. Style of management has to adjusted to a specific situation. A number of scientists talk about *authoritary style* of management. Those who have opposite opinion think that it is better to use *cooperative style* of management where management listens to suggestions of the employees. As always, the best style is somewhere in between, in combination of these two styles [7]. Manager is wanted who will not sit locked in his tower of ivory and make decisions all alone, but also the one who will spend too much time in long time meetings with possible participants.

What is inevitable and what management should be specially careful about is 'the loss of trust' from the employees. The lack of trust is negative for the success of sanitation. So, central task of management is to sustain the existing and earn new trust..

9. HOW TO OVERCOME THE CRISIS?

It is generally excepted attitude in small and middle companies tht crisis happen only in big companies. Crisis can hit any company, no matter how big it is and at any time. In Serbia, crisis happen very often. Social picture is formed by constant crisis and conflicts. Current situation is marked by events from the past: wars, inflation, loss of market, bombing, strikes, ecological disasters... Social and political events were trasferred to business. Managers were participants of crisis – social, business, personal. After the former Yugoslavia broke down, crisis appeared one after the other. Today we have World economic crisis. Generally, crisis never stops. It is always there – transparently or in hiding. Sometimes we are directly hit by crisis, and sometimes indirectly.

How can a company get out of crisis in the most painless way? Crisis can not be overcome easily. Unless the company is ready for it and has a crisis plan, then overcoming of crisis will depend from wisdom of people who manage the company (unless there are wise managers, there are wise consultants). Crisis is just one in the line of changes. And system fights the change. And there is no change with which the employees, unions, local government, banking sector, competiotion, will be satisfied. The point is to keep the system integrated.

Key thing is overcoming of crisis is redefining of mission, vision and aims of the company. If the company is used to annal growth of 10%, there is a little probability that it can be achieved in crisis. Since respect is a category that can be destroyed easily, it should be managed with carefully in crisis. The public makes an image about the company according to the communication it has. Unless management of the company is prepared for crisis, the reputation of the company can be destroyed in just few minutes. [16].

Successful solution of the crisis is socially useful resource. If the company has the communication avoiding conflicts and crisis it will positively reflect on its success, which implies the growth of social product and higher income per population. Main notions in solution of crisis are:

- Development of positive view of crisis and new situation,
- Setting business activities accotding to the expectations of the environment,
- Loking for chances and oportunities in the crisis.

The company in crisis is expected to:

- Truthfully show the situation to public and take responsibility,
- Provide constant and complete report to public,
- Inform public about possible risks,
- Give all information, even when the situation goes on undesirable course,
- Show effort to control or reduce potential dangers [12].

Crisis offers to companies more possibilities for further individual development. The field of overcoming crisis and its reduction through successful communication till today has not been in the center of research enough. However, I beleive that after this huge crisis many companies that survive, will look up to companies like 'Volkswagen', 'Deutsche Bank', 'Hoechst', that have their organizational sectors which deal entirely with crisis.

The fact is that companies, that overcame crisis successfully, know what crisis is and that it can be managed and overcome, but only if one readily waits for it to come.

10. CONCLUSION

Crisis are integral part of social and economical history and they will definitely stay in the future. Although history is not only made of crisis, disasters and catastrophies, these event have dramatical influence on society and our ideas and behaviour in the past, present and future.

As society develops and technology advances, mankind faces numerous and more different crisis. The advantage of technology carries with it new possibilities of occurrence of catastrophic events. As a consequence of that, our planet has become the world of fast changes and the 'world of risk'.

The best advice, that I saw while I was writing this paper, gave Isaac Adiges in his book 'How to manage in times of crisis and how to avoid it'. At his opinion:

'During crisis it is very important to sustain the cash flow and save human capital. We usually fire people to decrease expenses. And that is not the best solution, because people hold the muscles and brain of your organization and they are basic ingredient of its culture. Culture is very hard to make and obtain; so firing of workers could be the last resort. If you determine that you must decrease the expenses of working force, decrease the number of working hours, do not decrease the number of people; in that way, you will share you awwet equally and share the financial pain between employees. If you keep your people, and they have time to do something, give them task to redefine the company. The products. The strategy.' [2].

REFERENCES

- [1] Adamović, S. Lj.: *Ekonomska kriza – uzroci i izlazi*, Beograd: Kolarčev narodni univerzitet, 1985.
- [2] Adižes, I.: *Kako upravljati u vreme krize i kako je, pre svega, izbeći*, Beograd, 2009.
- [3] Elliot, D., Harris, K., and Baron, S.: *Crisis management and services marketing*, Journal of Services Marketing, 19/05, 2005.
- [4] Fink, S.: *Crisis Management: Planing for the Inevitable*, Amacom: New York, 1986.
- [5] Keković, Z., Kešetović, Ž.: *Krizni menadžment I, Prevencija krize, Hrestomatija*, Beograd: Fakultet bezbednosti, 2006.
- [6] Maslov, A.: *Motivacija i ličnost*, Nolit, Beograd, 1982.
- [7] Maslov, A.: *Psihologija u menadžmentu*, Adižes institut, Novi Sad, 2004.
- [8] Radosavljević, Ž.: *Menadžment menadžmenta*, Pronalazaštvo, Beograd, 1997.
- [9] Rot, N.: *Psihologija grupa*, Beograd, 1995.
- [10] Senić, R.: *Krizni menadžment*, Beograd, 1996.
- [11] Torrington, D., Hall, L., Taylor, S.: *Menadžment ljudskih resursa*, Data status, Novi Sad, 2004.
- [12] Veselinović, P.: *Upravljački menadžment*, Novi Sad, 2003.
- [13] <http://www.dragas.biz/>
- [14] http://en.wikipedia.org/wiki/Crisis_management
- [15] <http://www.liderpress.hr/>
- [16] <http://www.meritum-international.org/>
- [17] <http://www.news.bbc.co.uk/>
- [18] <http://www.poslovnih.hr/>
- [19] <http://www.sertifikacija.com/>

GLOBALIZATION AND MODERN ECONOMIC ENVIRONMENT

Muamer Džinović¹, Maja Radić²

¹ Samostalni sindikat PPDIVUT BiH, Sarajevo, BOSNIA AND HERZEGOVINA,
e-mail: m_dzinovic@hotmail.com

² Samostalni sindikat PPDIVUT BiH, Sarajevo, BOSNIA AND HERZEGOVINA,
e-mail: maja_radic@live.com

Summary: *In this paper we have tried to explain the essence of economics globalization as qualitative and higher stadium of internationalization of economic life and mega trends dominant to the world development, which generally can results: in openness and liberalization of economies, in forming global financial, and other markets, and sub national economics bridges, which technological base has been formed by the global information-communication net wares, and organizational base has bee created by strategic alliances, and virtual firms. Authors emphasize priority of economic impulses and motives of globalization as the contemporaneous development process of the human society and as conglomerates of other interests (political, social, cultural, and other) and its objective, and continues nature.*

Key words: globalization, information, postindustrial civilizations.

1. INTRODUCTION

In the development of human society there were certain periods which had certain economic and sociable characteristics. All periods so far have more or less raised the total level of development of civilization of society, had a clear recognizable characteristics, starting from the naive optimism of antique society, religious mysticism of Middle Ages, rational science of industrial society, to modern globalism of postindustrial society. The periods were not limited by time of geography, and that goes for the crossing periods that happened too.

The economic globalization, stagnates after the expansion from the end of the last and the beginning of this century. Does that really mark the end of globalization that we know, or is it simply the void in global economic circle, will stay for the future historians to judge.

2. THE BASES OF ECONOMICAL GLOBALIZATION

John Maynard Canes wrote about 'the unusual episode in the economical progress of men' in which the 'internationalization... of economical and social life... was almost over'. Many of his liberal contemporaries, connected this period, latter known as belle epoque (1870-1914), to the appearance of the new world order where war was a thing hardly acceptable. Guns that shot on August 1914. brutally stopped that liberal idealism. That historical phase of liberal or more precise imperial global economic integration, still stays classic standard, according to which many scientific analysis determine current period.

No metter to spread and all around complience between the analitics of global political economy that in the period after 1945. there is a significant raise of overlmit economic activities, this development is seen in different ways. Those kinds of disagreements of analists are a reflection, and caused by complexity of global processes, as a way of approach of analisys of phenomenon of globalization. That difference stayed and it is only natural that there are different points of view when we talk about modern processes of globalization since globalization is much more that economic sphere.

The assumption, that globalization can be seen in the first place as economic process and determined through global economy, is opposite the concept of most of wide social scientific literature. In that surrounding, globalization is seen more as multidimensional than unique, its process is clearly seen through cultural, political, economic, military and social field – it has no intention to come to a certain conclusion because it does not show historical determination or fixed end. Under the surface of all these different conceptions are important methodological disputes and disagreements about the way in which complexed historical and social phenomenon, such as globalization, are studied in the best way. The lack of agreement talks about the need to pay attention when economical gets automatically the advantage in any systematical analysis of globalization, and more importantly in making lot of general conclusions about globalization as social process only based on analysis of economical sphere. Every combination of globalization with economical globalization is categorical mistake. However, few discussions about globalization can ignore its economical dimension.

Conceptually globalization is often left out in the concept of liberalization, internationalization, westernisation of modernisation. However, none of these terms has its characteristics. In global social-economic literature, globalization is usually described by accepted, reasonable and precise terms, as 'appearance and functioning of one, world economy'.

The cause of such approach is its growing intensity, scope of world integration and connection through production, trade and finances to migration. It is seen as a process more than a condition, because it is seen as historical tendency to enlarge the level of worldly linking. According to some authors, there really is an important conceptual difference between the term 'globalization of world economy', and totally of partially 'globalized world economy', which talk about fixed state or place of economic integration.

This obvious difference, is enhanced by Keohan and Nye, who made difference between globalization as historical process, and globalism, as resulting condition in any historical moment.

Since globalization is not unavoidable, not determined, not irresistible, in any certain historic moment it can result in stronger or weaker forms of globalism. In the language of global political economy, globalization can be linked with stronger or weaker forms of world integration.

If globalization is seen as a process, then economic globalization implies growing transformation or quality change in the organization of world economy. That is very simple to explain, by the time the cumulative forms and nets of overlimit economic activities, will spread the world in different national economic units, which will cause that the difference between domestic and world economy becomes very hard to sustain. In other words, globalization makes such unpredictable or systematic characteristics, that world's economy rapidly starts to work as a whole. The structural change can be seen in other things, making and shaping global markets, production nets, in global spread of working force and in business competition together with global systems of economic laws from *World trade organization to International board for accountancy standards*.

The thing that supports these changes on the scale of economic organization are modern computer technologies and infrastructure of communication and transport. They enabled new forms and possibilities for a fast computer processing of data of world economic organization and coordination.

In this process time and distance are change in great deal. Economic and other problems in one area of the world can quickly be spread to other countries in the world, very often with serious local consequences. It is literally a world that is becoming smaller, where even the background of localized economic development, from the growth of prices to corporation restructuring, can be in connection with the economic condition on the other continent.

The unique world economy is not of the same scope as universal or planetary economy. More precisely, the term 'world' usually refers to the forms of interregional and intercontinental economic exchange and connection. Because of that, globalization is seen as determination of economic space manifested in intensity of internet or multicontinental nets and economic activity. Basically, globalization is relative denationalization of world economy, a very important thing in economic life, which became organized to cross limited national economic spaces.

It should be emphasized that stated determination of globalization is not treated in the same way in all economies and regions for the obvious reason that globalization is changeable process. The term of world or global economy is less geographically determined than planetary or universal economy. Implication of this difference are more important for any empiric evaluation of economic globalization.

3. PERSPECTIVES OF ECONOMIC GLOBALIZATION

The acceptance of existing condition of economic globalization does not help us to assume how it will develop in the future, its consequences, or further branching of global political economy. However, it is possible to give some facts, according to previous analysis.

According to the differences which can be seen in it, it is possible to make three general conclusions about politics and government of economic globalization and according to that make assumption about its future development.

Big difference between structural, conjunctural and constructive theory is based on the different attitude about the consequences of economic globalization on politics and government. As it is noticed before, the long-term perspective is connected with structural theories of economic globalization, which accepts its inevitability. Government and politics, on global, national and local level, are seen as limited by boundaries and possibilities for an active intervention, which are imposed by functioning of global markets, capitalistic imperatives and USA hegemony. Functioning in the scope of these parameters, the role of government and politics is first of all functional: to stabilize global political economy and give it legitimacy, specially in times of crises. Out of these parameters they have marginal influence, specially in 'taming' and resistance to globalism, where it has a symbolic but not practical role. Globalization is seen as consequence of technological, capitalistic and hegemonic imperatives, and because of that it will be importantly changed by the high and ebb tide of current political happenings.

Politics of big states and institutions of global economic government has a critical role in forming and leading economic globalization. As Castells claims, globalization and globalized economy which this previous one upraised is 'politically made'.

In other words, politics gives ideological, institutional and motivational glue, which connects conjecture of circumstances and coorelation of social forces which enabled and gave strength to modern period of economic globalization. However once started, the dynamics of economic globalization can not be easily crashed, so politics and government of global political economy is transformed in competitive struggle between very powerful technological, economical and social forces, that push globalization forward, and those much weaker (but numerous) social forces are against. Castells says that 'separation from global economy has as a price the distruction of economy in short period and impossibility of approach to sources of growth.

The future of economic globalization is completely a guessing thing. It is a source of despair, but also of huge relief. Despair, because it confirms the weakness of existing theories. Relief, because in the future it has to fulfill itself in its whole uncertainty. In these conditions, politics and the government will play an important role in forming a global economy of XXI centure, for the better we hope, but it is very possible for the worse for the countries and systems such as ours.

4. DIMENSIONS OF ECONOMIC GLOBALIZATION

Globalization has a few dimensions of the area where globalistic processes take place and on what they influence. It is important to emphasise that those dimensions are not separated one from the other, but that globalization is a whole of their interconnection:

1. Economic dimension relates to huge growth of trade, investments, improved financial course, making of world market, transnational integrated production, the end of national economies, unlimited ways of business by time and space, huge economic and trade activities.

2. Social dimension of globalization relates to the world in global, which is becoming more and more, as McLuhan predicted, 'a global village'. Technological improvement, changed economic order and other dimesions, also influence the social picture of the world and enable the forming of a new, different and global world. New kind of communication enables creation of the 'society on distance', which is completely different than traditional society. The social globalization is the growth of migrations of people through the borders, as well as new connections.

3. Politics is still organized by territory, there is still governmental spreading of the world, interstate and political relationships have been changed in past few years. Politics is more and more global, it is not only the matter of one state, and its consequences have global meaning. Political issues are no more the thing of just one country, but a matter of global meaning and demand such an approach. States are no longer able to act only for themselves and their interests, but globally, planetary, in relationship to the world. Thanks to the Internet, as technological means of fast bussines and transactions, state limits and laws have decreased meaning, because bussines and communication are not so limited by them.

4. The developed technology makes it easier to approach and communicate with other cultures. However, there are harsh criticism about glovalization in the field of culture, because of dominant world position of the USA, that it is really a way to uniform the world, thanks to domination of American culture and language. Many are afraid that globalization is in fact Americanism of the world.

5. Ecological globalisation talks about the increase of ecological problems, by pollution of environment because of increased modernisation and industrialization.

Common usage of the term globalization started in the second half of eighties and is in direct relationship with the huge wave of investments of multinational companies. Most of direct foreign investments came from

American firms, and the USA were a host for only small number of foreign direct investments from non-American firms. Foreign direct investments are improved, much more than world trade and global economic production. In the early decades after war, Japan and Western Europe became main investors, and the USA at the same time have the most developed economy in the world and are the biggest host of world economies. As a consequence of this improvement, the foreign direct investments which come from the most developed countries to the developing countries have risen for 15% annually. Still, the biggest part of them goes to developed countries especially America and countries of Western Europe. The biggest part of these investments goes for service and hi-tech industry, such as car industry and informational technology. Information has become something to trade with and it opened new questions in international trade, such as protection of personal asset and market approach for services. In the process of globalization of dynamic technological changes influence in great deal on improvement of performances of the firms, and making competitive advantages and competences. New technologies improve market chances in great deal, putting away the barriers of development of international trade and investments, invreasing transparency of business and so on. Dynamics of technological changes represents dominant characteristic of globalization. The stated technological dynamic is followed by creating aggressive developing strategies, and adequate activities for the realization, which are based on seeing technological progress as leader in transformational process, followed by forming completely new structures of society and firms. New inovative firms are made which are based on constant learning ('organization that learns'), that is, improvement of existing knowledge and creating new ones, which have a function of application and/or creation of new technologies.

Most of authors believes that mankind today has technologies in the field of communication and transport which are necessary to form global world economy. It was preceded by many great changes that happened in the world after World War II, and the most important is development of science, technics and technology.

New developing performaces are based on fascinating technological uplift in the last quarter of the XX century in the field of automatics, informativs, telecommunication, transport, biotechnology, genetic engineering and so on.

The main source of public power is power over money, time and space. According to one paper done by Fondation of Rockefeller brothers, globalization is just a new name for integration of the world and increased interrelation between countries in the world of intensive and drastic changes.

Function of mobile capital explains interrelation, dependance and conditioning, necessary for the fulfillment of economic and public power, in local, national and global limits.

Thanks to many technics and technologic and organizational inovations and modernization, there was a functional decrease of time and space limitations, which were suatable for those to whom capital was not limiting factor.

Domination of money, time and space dimensions in the global frames is the basic aim of trans-national cooperations, because it is the bast way to fulfill competitive advantages on global market, and through it profit as basic imperative. Trans-national capital gives domination in global relations. By coordination of time and space, usage of the most modern information, transport and telecommunication technologies, cooperative capital on economic logic can successfully compete with many states on local and international level.

By increasing the speed on information transfer, time of economic transactions is 'shortened', and the space is 'shrunked' by increased speed of transport means.

Modern trans-national organization of bussines depends on taking the 'big player' and around it by clusters many smaller local firms are hired, and given jobs that they can do in the fastest and best and cheapest way. In the way, there is a possibility by net system of intra-firm bussines, maximal usage of the host country to transfer them in extra profits and strengthening of competitive advantages. The practice showed that this is the best way to make competitive product in globalization.

Fascinating development of electronic technology enabled capital to be transferred from one side of the earth to the other easily, through international financial network. The scope of transactions is very high and it is higher than the amount of realistically exchanged goods and services. That means that there is a tendency to separate financial things from the real sphere of production and trade.

For currency bussines certain authors state that they make some sort of 'casino economy', by growth of quantites of so called 'fantom credit money' emitted by private banks with emission licence. The percentage of reserve is very low, so there is an amount of 'fathom money', which can not be paid out to the creditors, which lead to the latest economic crises, which started during 2008. when some banks in the USA crashed.

In literature are discribed so called 'virtual organizations' as a possible type of bussines in the future of XXI century. It is a net of a few independant firms, that can be rivals, buyers, suppliers, institutes and other interested organizations and so on. Net connection is based on highly sofisticated information systems which enable fast agreement about the spread of knowledge, expenses, risks and approaches to certain markets. Net economy forms realistic organizational and technical conditions for deregulation on all levels of government.

Fast technological changes, followed by organizational improvement, economic and law flexibility, have radically changed:

- a) Forms and ways of competition in global relations
- b) Traditional scheme of factors of production,
- c) Way of production (net organization),
- d) Structure of production (mostly transferred value),
- e) Motivation of employees (spreading economic and other motives) and
- f) Improvement of education of employees.

Technological superiority is followed by modern organizational capabilities, marketing and management knowledge and spreading the sector of services. As a result of informational technologies, there was an increased participation of service sector in creation of national income, which in the USA in 1990. was 73%. It brought to certain changes in structure of employment, sending working force in service sector whose contribution in employment of developed countries is over 70%.

5. SUBJECTS OF ECONOMICAL GLOBALIZATION

Main subjects of globalization represent multinational, national and planetary corporation owned by developed countries, as well as the most influential institutions of the world located in economically the most developed countries where the whole world reproduction of capital happens.

There is a tendency of fusion of cooperations, and it helps make the biggest global corporations. Multinational and planetary corporations are taking over the main role of great national states and they are being pushed out in the process of globalization. Those corporations are not, and they can not be above or out of interest of the most powerful national states. Their independence is not, at least for now, such that they can compromise those interests. Their strategic interests are the same: taking over world market, control of natural and human resources, domination which is still economic, military and informative.

Certain authors say that there was a great movement of the center of power which came in the hands of national states and democratic governments in the hands of multinational companies and banks. Such an opinion is too early for a strong states, because their governments, multinational and planetary companies, as well as big banks – make a whole and do different functions of reproduction, strengthening and spreading of capital. Those states have evident link between military power and military which is a protector and the most important pillars of the state.

'Besides that, without the determining power of national states from which those companies come from, they could not do business to leave out the laws of the countries in which they are coming and practically, not to be limited by any norms in getting profit from the area of world suburb. It is probable that planetary corporations, which appear as the highest form of genesis of multinational companies will get higher and higher power in international frame. But in the near future, they will share the power with the few strongest countries'.

Subjects of globalisation are members of the most developed countries of the world as well. Countries where four fifth of world population lives are not in a position to influence the process of globalization. They in fact 'import' globalization in its technological, economical, political, informative and cultural sense.

What is very evident is arrogant dictation of the USA. For example, in World Trade Organization, they managed to lower the customs from 40% to 5%, and the debt of the countries that come to the organization has grown to more 140 countries. Such regime of customs is suitable for the strongest countries which can offer the best and cheapest goods. Truthfully, it is suitable for China too, as well as the circle of developing countries which have goods of good quality and by prices acceptable for import. Still, considering the total business power, it suits the most to the representatives of the most developed countries. And when it comes to the USA and their power in the World Trade Organization it is followed military, political and media domination in the world. In current circumstances 'world government' is mostly American government.

6. NEW MODELS OF ECONOMIC DEVELOPMENT

Methods and technology of forming techno parks, business incubators and other innovative structures should be accumulated easily and used to form new innovative structures. Creation of new innovative structures should be followed by making certain normative and lawful base.

Techno park represents new 'organizational-economical' structure, and the aim is reinvesting profit in production based on high technologies. The countries with low level of economic development which managed to include themselves in active exchange of production of high technology on world level, have importantly fastened their economical growth thanks to, creation of innovative structures techno parks. By their organization and dislocation techno park represents a special economic zone. By the functions it does, it is a scientific, productional, but also educational organization, which does educational function in the field of small business of high technology and marketing of products of high technology.

There are also new approaches and new factors of regional development. Such is a cluster concept, that is 'concept of the grape'.

Cluster concept represents a very important thing in the development of global economy and the bases of globalization (together with communication systems, which enabled net logistics and standardization of quality in global relations and limits of real time). Clusters comprise nets of technological and strategic, more production and service firms, from suppliers, technological inovators and know-how institutions (universities, institutes, engineering center etc.) through connecting market institutes (brokers, consultants...) to consumers. All of them in their way take part in the chain of creation of new value, determined to constant development and fast implementation of inovations.

The role of geographic closeness comes to acumulation of critical mass of social and human capital (seen as combination of scientific, productional and inovative potential). It is thought that clusters as specific and complex combination of competition and cooperation on different levels ('new wave of capitalism-E. Toffler), have already included over 50% of bussines of developed countries. In literature as an example of cluster is given Finland, which has 0.5% of world wood resources, and takes part with 10% of world export of wood processing industry and 25% of world production of paper. Further on, on telecommunication market it takes part with 30% of world export of equipment for mobile telephones and 40% world export of mobile phones.

7. GLOBAL COMPETITION AND CLUSTERS

Global competitive advantage is based on characteristics which are set by multi-dimensional processes of dinamic changes in the surrounding which influence bussines, through growing dependance of bussines subjects, to the role of public and so on. It assumes the direct competition of firm on all the markets without changes on the product or service and without adjustments to local demands (or very small ones). Competitive advantage of global firm has integrated local and international advantages. New factors of influence are determined by the need of global adjustment. More and more there is a need to have close conceptual dependance from competitiveness, where technology, sinergy and capability are stated as the most important components of competitive bussines strategy.

Adjustment to changes represents one of the basic principles on which the bases of competitiveness are built although the strongest corporations are potentially the strongest competitors, which can be a paradox, but is true.

Global competitiveness is a synergy of different knowledge, skills, inovations, fast adaptation, development strategy, new products, high qualities of the product, modern design, new technology, organizational changes, marketing and management potentials, net bussines and so on, and it all comprises the term *competitiveness*. Competitiveness is all about combination of complementary knowledge and professional skills of the employed in the firm, on the basis on which the adjustment to changes is done, and especially to satisfying the needs of the buyers. Knowledge is the key factor of bussines success and competitive advantage of global bussines, currently and in the future.

New time has imposed new parameters of modern economy: knowledge, information, research and development, inovations and inormation technologies. The basic direction of changes in economy is influenced by techonological changes and influences employment, structure, alternative employment, productivity, net bussines, etc. [12].

Clusterization of economy is one of the important things in global economy and globalization, with communication systems, which enabled net logistic and standardization of quality in global relations and limits of real time.

Clusters are the most propulsive bussines blocks on macro level of certain states. They involve net of independant productional and service firms, from suppliers, technological inovators and know-how institutions (universities, research insitututes, engineering centers etc.) through linking market institutes (brokers, consultants etc.) to consumers. All of them in their way take part in the chain of creation of new value. They relay on unique and most efficient productions, and there are also firms and organizations connected by geographic position and production. The role of georgraphic closeness comes to acumulation of critical mass of social and human capital.

It is thought that by clusterization as specific and complex combination of competition and cooperation on different levels, and it included 50% of developed countries.

Companies mostly associate according to national bussines surrounding, but they are most likely connected to global market gathered in cluster form of organization.Center of gathering is a powerful cooporation which enables them to improve effecency through different advanced economic processes: changing the materials, components, machines, services, and through cheaper production and approach to bigger markets. Depending on the homogeneous demands, trade restrictions, expenses of transport and technology, global sale can include more or less local adaptions and designs, and more or less spread packing, testing and production.

Global market is used for approach to cheaper working force, technologies, financial capital. Through fairs, travels and studying of business processes, global market can be understood and 'felt' in the better way. Key technologies and skill are usually not on sale because of competition.

Dynamic cluster is characterized by 3 different dynamics:

- Local dynamism,
- Global attractiveness, and
- Reach to global market.

Since leading clusters are characterized by high price and development, they act opposite to local competitiveness, but always sustain the continuity of innovation and improvement of companies and means.

Although many positive experiences in development of cluster (starting even before World War II): French wines, Swiss chocolate and watches, Italian cheeses, Austrian car cluster, the first important definition is given by Porter. He said that 'cluster is made of geographically concentrated and connected companies and institutions on certain fields' [13]. Cluster strengthens competitive advantage of industrial and service companies and institutions by improvement of interactive relation between numerous suppliers and buyers, improvement of cooperation between similar complementary and supplementary industrial companies, by including and improving interactive relations of stated companies and educational and research institutions, insurance companies, financial organizations, different agencies and governmental institutions.

Globalized markets with the regime of free trade make companies to have constant innovative processes and win certain strategies in order to adjust to changeable surrounding.

8. CONCLUSION

Modern international economic processes represent a part of long-term world transition of industrial to post-industrial society and from internationalization of business life to globalization.

Main promoters of economic globalization are trans-national corporations, trans-national banks, international centers of power, international and regional organizations. The basic forms of manifestation of globalization are financial, investment and trade processes, and basic strategy of its realization is at the same time local and global, because it is a condition of unification of international standards of economic behaviour.

Global strategies are dominantly based on knowledge, and national strategies support them and adjust them. Alternative does not exist. Globalization breaks, and make smaller all the earlier criteria of separation (political, ideological, national, class, racial, religious etc) and submits them to rational and universal economic criteria, which is dominant and belongs to those who have mobile capital, technology, knowledge and information. Big capital in different forms breaks all barriers and through it everything on the global plan is solved.

World in XXI century is global in many ways. World is not economically homogenous although there was openness and dependence that follow globalization. Paradox of global differences is too visible and that is the thinnest link of globalization.

Globalization can not be reduced to technological factors of linking (internet, fast transport, dislocation of production of computer chips etc). But, without them we could not even talk about globalization and it would not have a chance for further development. The latest technologies are the one that give basis and discover every day the possibilities of human development.

Domination of technological innovators is a story for itself. Technological boom contributed improvement of efficiency of all forms of production and made starting conditions for the realization of idea about creation of a more humane and homogenous 'world of worlds' (term by M. Geffer) different economies, politics, cultures, people, space and civilizations.

One is clear. Globalization brings with it a completely new qualitative dimension. What is new, in this integration of the world (globalization), is a sudden speeding of this process which was conditioned by remarkable technological progress and economic dependence between states and people that was never seen before. The dynamics of changes and improved integration of the world lead to many bad usages of globalization, misunderstandings and wrong usages of the term and the complete process. This should be specially emphasised, because the direction of globalization says that process has, in certain segments of modern society, left the noble goals of planetary progress and decrease of human suffering. Stability of world economy can not be based on increase of economic differences between the circle of extra developed countries and creation of higher number of poor countries. It is completely unclear what globalization will bring in its short historical step. It depends on the growth of its potentials and if it will be focused to economically prosperous world society as a whole.

REFERENCES

- [1] Afanasjev, M. i Mjasnikova, L. (2005), "Mirovaja konkurencija i klasterizacija ekonomiki", Voprosi ekonomiki, No 4.
- [2] Bodiroža, M.(2006), *Međunarodna ekonomija*, Ekonomski fakultet Brčko, 2006.
- [3] Castells, M. (2000), *The Rise of the Network Society* (Oxford:Blackwells).
- [4] Drucker, P. F. (1999), *Management Challenges for the 21st Century*, New York: Harper Business.
- [5] Grieco, J.M., and Ikenberry, G.J. (2002), *State Power and World Markets* (New York : Norton).
- [6] Hirst, P., and Thompson, G. (1999), *Globalization in Question*, 2nd edn. (Cambridge: Polity Press).
- [7] Keohane, R.O., and Nye, J.S. (2003), "Globalization : What's New, What's Not?", in Held, D. and McGrew (eds.), *The Global Transformation Reader* (Cambridge: Polity Press).
- [8] Mann, M. (2003), *Incoherent Empire* (London:Verso).
- [9] Mazur, L. A., Sechler, S. E., (1997), *Global Interdependence and the Need for Social Stewardship*, Paper No.1, Global Interdependence Initiative, Rockefeller Brothers Fund, New York, P.35.
- [10] Miletić, D.S. (2000)Proces globalizacije i problemi korupcije savremenog sveta", zbornik radova na temu - Sistem i korupcija, *Centar za ekonomska istraživanja Instituta društvenih nauka*, Beograd.
- [11] Ouattar, A.D.(1997),„The Challenges of Globalization for Africa“, *South Africa Economic Summit*, World Economic Forum, Harrare.
- [12] Pokrajčić Dragana (2001), „Multinacionalno i globalno preduzeće“, *Ekonomika preduzeća*, br. 3-4.
- [13] Porter, M.E., (2001), *Clusters of innovation initiative*. San Diego, New York.
- [14] Rosenberg, A. (1995), *Philosophy of Social Science* (Boulder, Colo. : Westview).
- [15] Statistical Abstract of the United States 1995.
- [16] Stojanović, V.(2008) *Tehnološki menadžment*, APEIRON, Banja Luka.
- [17] Toffler, A. (1990), *Powershift: Knowledge, Wealth and Violence at the Edge of the 21th Century*, New York.
- [18] Zoran Vidojević,(2005) „Kuda vodi globalizacija“, *Institut društvenih nauka "Filip Višnjić"* , Beograd.

SOCIAL INTELLIGENT MANAGEMENT IN SERVICE OF DISSATISFACTION REDUCTION WITH EMPLOYEES

Nebojsa Gijić

Faculty for Education of the Executives, Novi Sad, SERBIA, e-mail:

***Summary:** According to the latest research in the region, the biggest frustration of employees in the workplace, cause their superiors. Wages and job security often depend on preservation of the heads, and there is a tendency to be mildly unpleasant interactions with managers perceive as threatening. The current economic crisis intensifies even more devastating effects of this phenomenon. Psychosomatic illnesses caused by stress and employee dissatisfaction increase, which further worsens the society general condition, posing a threat to the explosion of social unrest. Occurs expressed the need to implement effective management methods to increase employee satisfaction, in order to reduce pressure caused by devastated long economic crisis, which further deepens, first by reducing the pressure to the employees for their part, and the establishment of fair relations and atmosphere of mutual respect and respect for human dignity.*

***Key words:** Dissatisfaction with staff, interaction, interpersonal relationships, economic crisis.*

1. INTRODUCTION

The developed world has long understood that profits do not bring any modern technology any good programs, if there is no quality and satisfied workers. Job satisfaction is one of the most studied topics in the field of human behavior in organizations. This is certainly widespread belief that a satisfied worker a productive worker, and that the success of the organization can not be achieved with dissatisfied employees. Assumption increase of income through higher productivity of most companies today is not achieved. The positions of employee, their salaries, insecurity and other negative phenomena, have led to a large decline in motivation to work. Unfair treatment of employees and their depressed attitude towards work, lead to major negative economic consequences. An employer who is aware of the importance of what staff has the potential success of business to take care of constant investment in people. People are an unavoidable factor in any business, and underestimating the importance of human resources and the importance of psychological factors can be catastrophic effect on success in business.

This research is focused on factors that cause dissatisfaction in the workplace related to interpersonal relationships, in superior-subordinate interaction.

1.1. Organizational factors and the effects of job satisfaction

Correlation between employee satisfaction and performance may be reduced under the concept of employee engagement [16]. It is the environment and individuals who are willing to engage in order to obtain the maximum measurable business results, assuming the necessary confidence in the management of employees, associates and the entire organization. If the company wants to improve engagement and business performance, it is necessary that the concept of satisfaction of employees (including clients) be directly and effectively linked with the overall operating performance and management factors management relationships with customers. Time and executives will gain interest in the implementation of various programs encourage employee satisfaction and engagement.

Among all the attitudes of employees, the most important is their attitude towards work. This position is called job satisfaction and it can be defined as „cognitive, affective and evaluative responses to the individual job“[4, p.

46]. Job satisfaction is, therefore, a complex that includes position specific assumptions and beliefs about the work (cognitive component), feelings toward the job (affective component) and the assessment work (evaluative component). Studies have shown that all the factors of job satisfaction can be grouped into two categories: organizational and personal factors of job satisfaction [6, p. 123]. The focus of this research is the organizational factors of job satisfaction. Organizational factors of job satisfaction are: 1 the work itself, 2 reward system, 3 pleasant working conditions, 4 colleagues at work, 5 organizational structure [13].

Satisfaction of employees has three main effects: 1 satisfaction and productivity, 2 less absence from work, 3 smaller fluctuations. Job satisfaction of employees is not itself a goal. Empirical studies have shown that relationship satisfaction and employee productivity is not as clear as it seems at first glance. The most accurate to say that productivity is only one aspect of performance improvement under the influence of employee satisfaction. Satisfied worker will not only be productive, but it is equally important, shall create a better atmosphere at work, and positively influence the work of other colleagues. In addition, the pleasure not only affects productivity, but also some other phenomena in the organization, such as absence from work and fluctuation. This hypothesis was confirmed, and empirical research, although the correlation coefficient is not as strong as expected. The reason for this is that the decision on the absence from work with influence and other factors (different cases, fear of job losses, responsibility towards colleagues or clients, etc.). However, it should be emphasized that the correlation of fluctuations and employees affected by general economic conditions as and the level of unemployment in the economy. It was found that the tendency of leaving a job affects the general satisfaction or dissatisfaction with the employee with his life. Easier to leave work those employees who are satisfied with life (but dissatisfied with job) than those who are dissatisfied with the work and life in general.

There are several ways how unsatisfied workers express their dissatisfaction: 1 leaving the organization - active destructive reactions, leaving the company due to dissatisfaction, 2 neglecting - Passive release that the situation is worsening (increase in absenteeism, reduced commitment, increased write-offs, etc.). 3 protest - actively constructive efforts to remove causes of discontent, 4 loyalty-passive, constructive hold that things improve [13].

1.2. Management-cause employee dissatisfaction

In Serbia, officially, has not conducted research on how employees are satisfied with their superiors. According to research conducted in Croatia (a sample of over 1000 respondents), examined how many employees are under stress, and consequences that are caused by stress on the behavior of workers. Research has shown that work 78% of daily stress. The greatest stress in workers cause their parent (66%), and too much work you need to do. Stress due to his superior in the largest percentage of respondents perceive that parent accepts or acknowledges the opinions and ideas that are good (45% of respondents), and because of unrealistic expectations about the time it takes for doing a job (43%). Only 20% of respondents believe that their superior correct person. As a cause of stress experienced due to their colleagues, most respondents (55%) indicated how their colleagues do not do the job, while superior to not notice. As a result of stress in the workplace: 57% of respondents had problems sleeping, 32% in the past year at least once absent from work, 26% had changed jobs, 19% started (again) smoking, 15% had increased consumption alcohol, 43% of respondents had increased consumption of sweets and snacks. Once a week or more, the 39% of respondents meets with verbal assaults in the workplace. With verbal outbursts usually meet the production workers, or 47% of them experienced verbal outbursts once a week or more. As a solution for reducing stress in the workplace, respondents in the highest degree agree for the need for greater state of focusing on their employer's professional development (51%).

Research conducted by Posao.ba is a portal to nearly 1000 respondents, showed that most employees in BiH is not satisfied with their work and as the main reasons for this phenomenon are listed a small salary and various pressures arising from the poor and unprofessional management. This research showed that companies in BiH must work to improve human resources management, with a major role to play senior education staff on the importance of human resources.

In comparison with the planes themselves can respond to the humiliation, ask for an apology. But when the insults come from someone who holds in his hands all power, subordinates (which is perhaps unwise) repress anger, and react peacefully and patiently. But it is this passivity, to other persons composing the offense, gives tacit permission to continue to parent in the same direction. If the degrading messages continue for some time, a person who feels increasing unbridled weakness, anxiety and ultimate pusillanimity.

Abuse at work is undoubtedly the most common coming from the employers and leaders who lack a business culture and ethics and who do not understand how the business is an important human potential. A large part of them are "new composed" businessmen who did not gain equity as a result of their expertise and commitment to hard work, but they got leadership function of their relative merits, party membership, providing various services to employers and the like. Many workers today, knowing that each job right treasure, they have to suffer various kinds of abuse to save the position. Hours takes all the longer, the job looms as a substitute for family,

neighborhood and social networks. However, one needs only one word of the employer, and that each of us to be expelled. The internal ambivalence means hope and fear of taking part in a growing number of organizations. The research agency Challenger, Gray & Christmas Inc.. Showed that 73% of respondents (workers) blames his bosses for low morale among employees. Another research company Right Management has shown that declining morale of workers if the head chooses a bad person, or employee who in their opinion is not suited for this position.

The famous German company for internal crime Euler Hermes Kreditversicherung calculate that the revenge of the company associates only 2007th The cost about 1.6 billion euros. It is alleged that the Avengers did not choose the ways of action: fraud, computer viruses spread through a network of companies, the disclosure of its trade secrets and all. Generally, we can single out a few basic ways to be subordinate to their sacred heads: causing material damage to the company, spread negative rumors and discredit the heads of the firm (verbally and via the Internet) and use various types of threats (anonymous, and direct and indirect). Ugly pictures once placed on the company or the Head (especially on the Internet), the indestructible.

1.3. Employees expectations from the manager

„According to a survey conducted in 25 countries, the Germans would want them to heads of higher prices and praise, and Asians the highest price leaders that create harmony, but keep up the hierarchy“[1, p. 8]. International Institute survey from Geneva was conducted on a sample of 11000 employees in 25 countries, showed the kind of behavior expected of employees of his head and kind of management style gives the advantage. In Germany, employees want their head to leave sufficient freedom of decision and action, but determined that the situation be resolved and penetrable. Americans have their price of heads of socialization and communication. In their heads like the Swedes who expect to have with superiors partnership. Favorite executives are the one who are oriented to teamwork. They are expected to give general guidelines for the work and to take account of equality and solidarity in the team.

In the study conducted in seven hundred companies, most employees said they were more important to have a caring head but earn much [3, p. 276]. Implications of the findings in the broader sense of the business are from a simple effort that employees feel good. The same survey revealed that employees for pleased to head a major incentive to be productive, and to remain longer at work. If you have a choice, people are not willing to work for the poisonous head or that the money.

The basic skill of managers is, of course, feedback. Feedback is the way people receive information that is essential for the continuation of their work [14]. Original meaning in the theory of feedback systems is to introduce data about how one part of the system works. Thus it is understood that one part influences the other in the system, and that each part that is not in accordance with the main course can be replaced with better. Feedback is the transmission of information which gives employees the knowledge to successfully perform that job. Without feedback, employees do not know what they want their head, their associates what they think about them, or what is expected of them.

Socially intelligent leadership presence and begins full implementation of synchronization. When the leader of the dedicated, the scene comes into its social intelligence in full qualifications, from being able to guess how people feel and why, to the realization of smooth enough interaction to people inserted in a positive state. To attract the attention of employees, a good leader: not to shock, to exclude the negative aspects of the subject of communication must take into account source, to behave modestly and to identify with subordinates. The best bosses are the people worthy of trust, emphatically, in addition to which we feel calm, appreciated and inspired. The worst are the cold, harsh and arrogant. Besides them, we feel, at best unpleasant and at worst despised.

1.4. Negative patterns of manager behavior

How will the way and means by which managers manage their employees to a large extent depends on their conscious and unconscious attitudes toward human capabilities. Expressed beliefs and ineffable about that man's main initiators, which are basic human values and in even greater extent, determine the actions of managers. Each manager has its implicit, not enough articulated idea of what people expect from your job, what they like, what they fear, why are motivated to work under adverse conditions and others. If, for example, manager believes that human beings are lazy, selfish and immoral, this position will inevitably be projected into the everyday procedures to subordinates. These managers will constantly show distrust and suspicion in their subordinates and other colleagues, and the basic methods which tend to increase the productivity of employees will be punishment and strict control.

Heads in the strict hierarchy tend authoritarianism. They are much more freely express their disdain for subordinates who naturally feel confused mixture of hostility, fear and insecurity [3, p. 225]. Insult, which may

be common in authoritarian leaders, serve učvršćavanju their power by the subordinate cause feelings of vulnerability and helplessness. Since salaries and job security itself depends on the boss, subordinates usually siege of thinking about interactions with the boss, and they interpret any, even slightly unpleasant exchange as threatening. No person to whom you talk with someone who has a senior position at work does not raise blood pressure more than a similar conversation with a collaborator.

While executive skillfully express dissatisfaction may serve as an effective incentive, insofar as its yield self distractive as anger management tactics [3, p. 271]. When the head of commonly used phrases bad mood to motivate a group, may seem to be ending more work, but not necessarily be better done. Continuous bad mood is spoiled by the emotional climate, sabotirajući the brain's ability to work as best can. In this sense, leadership is reduced to a range of social exchange in which the heads may introduce feelings of other people in a pleasant or unpleasant situation. The exchanges of high-quality subordinate chiefs feel empathy, support and positivity. The poor quality of exchanges, the employee feels lonely and threatened.

J.R. Larson, a psychologist from the University of Illinois at Urbana noted that when the head does not say what you feel in time, his frustration grows slowly [2, p. 145]. The result is that inevitably one day he asked his anger over the subordinates. To put the earlier objections, offers employees could correct the error. When critics point to the peak of the problem or neobuzdanoj anger, it was often sarcastic and biting tone, and such attacks are experienced as insults by kritikovanih. An additional consequence is that criticism becomes bitter. Deft criticism is directed at what good that employees did more than help people because of bad reviews the work done. According to a study published in Renssealer Polytechnic Institute in the U.S., criticism is a source of distrust, mutual conflicts and disagreements about the position and salary of employees [5, 75,3]. The experiment, which included 108 managers and employees, showed that those who were attacked have become tense, angry and opposed, saying that it will refuse future cooperation on projects with a person who criticizes them. Many stressed that they want to completely avoid contact with those who attacked them. It was found that due to the rough de critique employees become discouraged, and measures to stop work to give all of myself, and what most concerns are no longer even able to properly perform. The attack on the personality is overwhelming, and destroys morale. The way the critics pronounce and will receive impacts to the satisfaction of people to their work, coworkers and superiors.

1.5. Database security as an element of job satisfaction

Colleagues, work team, friends from work, and even the organization itself may create a feeling of database security. Abraham Maslow in his hierarchy of needs, the need for safety and security is classified in another category, right after the basic physiological needs [9, p. 81]. It should be noted that this includes economic and social rather than physical security. Our sense of commitment and job satisfaction is largely derived from hundreds and hundreds of daily interactions in the workplace comes with employers, colleagues or clients. Larger quantity and frequency of positive versus those negative moments largely determines our satisfaction and performance.

Emotional dynamics at work in dealing with employees has many similarities with parenthood. Parents to us in childhood create the basic form of security database, which then, as we pass through life, build on other people. The school to place a teacher., Work, boss. George Kolrizer, psychologist and professor of leadership at the International Institute for Management Development in Switzerland, noted that the possession of database security at work, crucial for the ultimate performance [3, p. 273]. Cohesive group with a safe leader, who with other foster security, creates an emotional environment that can be so addictive that it even overwhelming anxiety people tend to feel relaxed. Kolrizer argues that the feeling of security enables man to better focus on the work done to achieve the goals and obstacles perceives as challenges, not the threat. In contrast, the anxiety people easily become overloaded predictive of failure, fear that because of low achievement be discarded or abandoned (lost job), so play safe. People who have the feeling that their head provides a secure base, said Kolrizer, much more freely explore, playing it, risk, devise a newspaper and accept new challenges. Another business benefit, if such a leader establish trust and a sense of security, then it will be subordinate to, and in the situation when he gives a rough feedback, welcome, not only with greater openness, but will be able to process even difficult acceptable information. Manager and parent, not to protect employees from any tension or stress., A small amount of discomfort, conditioned by the inevitable pressures at work, encouraging resilience. However, since the stress is too devastating effect, a wise manager acts as a database facilitates safety by lancinating pressure whenever you can - or at least trying not to make him worse. Best we go when the stress level ranges from moderate to a stimulating, while extreme pressure tires mind.

When people in an organization feel anger and frustration, the leader may at least to listen compassionately, to express concern and to give them a sign of good will, a sign that he wants to remedy the situation. Whether his attempt to solve the problem, he brings some emotional wellbeing [7]. The leader does not necessarily agree with the attitude or conduct of a person. However, it is sufficient to only recognize her view, to apologize if

necessary, or to seek a solution. That will somewhat mitigate the toxicity and destructive emotions make it less harmful.

Many successful executives feel well measured dose of anger and praise, may serve as an incentive. Of how well the message of dissatisfaction calculated will depend on whether it will encourage people to the peak of their performance, or will push them beyond the point where the curve begins to descend into the zone where corrosive performance anxiety. People in each group naturally pay more attention and give greater importance to what the most powerful person in the group says, and works. That amplifies the emotional power of every message you sent to the leader, making his emotions particularly infectious. Bosses emotional tone may have a surprising power. When the manager has to announce bad news (disappointing news that an employee failed to achieve set goals) in a pleasant manner, this interaction of people still evaluated as positive. When the good news (satisfaction with the goal achieved) communicated with the grumpy facial expression, interaction, paradoxically, the people causing the bad mood. This emotional power is tested when the leaders of fifty-six simulated working teams are challenged in good or bad mood, then was evaluated their emotional impact on the group which guided [3]. Members of teams with good mood leaders are expressing themselves to feel comfortable mood. Perhaps more importantly, are better coordinate their work, completing more work with less effort. On the other hand, teams with grumpy bosses were izbavljane from sinhroničnosti, which he seemed inefficient. Even worse, their panic efforts to meet the manager led the bad estimates and choosing the wrong strategy.

There is another reason why executives should take into account what employees say. Negative interactions with the heads of people remembered longer and with more details, and much more frequently than positive ones. Because of the ease with which can cause loss of motivation, the head is even more must strive to act so that the spread of positive emotions. Insensitive head not only increases the risk of losing good employees, but also destroys their cognitive performance. Social intelligent head helps people to collect and recover from emotional excitement. On the business point of speaking, managers are no longer pays to act emphatically not disinterested, and to behave well.

2. CONCLUSION

Find a good leader is a very difficult task, because companies often choose the head of workers with long work experience, who knows the production process. However, a good worker does not necessarily be a good leader, because he has to the other distance control, motivate and maximize the business impact of their podrdenih. In this case, the damage occurs twice: lost a good worker and is a bad manager.

World economic crisis largely takes, while in our region specifically not sign her termination. Owners of capital in the constant race for his enlargement, and it became the main (and often the only) priority. Under these circumstances, it is unrealistic to expect the respect and adherence to ethical codes and moral principles, without action of external force. Negative and destructive phenomena which are obviously exposed employees can only be solved systematically, through public institutions relevant laws and regulations. This process would be parallel to follow the media supported the education of the nation. Moral harassment is punishable in many developed European countries, and the best laws are found in Sweden, Norway, France and Switzerland.

Negative treatment managers to subordinates multiply destructive act, and comes to the appearance of various types of obstruction, and even revenge. Best wishes to the employees of the employer and the heads of revenge never came. The recipe that these phenomena do not come is that bosses and employers to be fair to their employees. According to subordinates managers should behave as you would like to behave toward them by their superiors. As employees are obliged to respect their employers and managers, so they are obliged to respect their employees, because they are human beings worthy of respect and along with them and make a profit.

REFERENCES

- [1] Daily newspaper „Блиц“, Article from 19.7.2009: „Swedes do not like strict bosses“, ЦДЦ/ДМ.
- [2] Daniel Goleman, *Emotional intelligence*, Belgrade, Geopoetika, 2009.
- [3] Daniel Goleman, *Social intelligence*, Belgrade, Geopoetika, 2008.
- [4] Grinberg, Baron, *The behavior of people in organizations*, Belgrade, Zelind, 1998.
- [5] Robert Baron, *Journal of Applied Psychology*, “Countering Effects of Destructive Criticism: The Relative Efficacy of Four Interventions”, 1990.
- [6] Robbins S., *Organizational Behaviour*, Englewood Cliffs, NJ, Prentice Hall Inc., 2003.
- [7] Rozenberg Marsal, *Compassion language*, Belgrade, Institute for textbooks and teaching aids, 2002.
- [8] Clauman Mishel, *Lobbying*, Belgrade, Klio, 2004.
- [9] Maslow A.M., *Motivation and Personality*, New York, USA, Harper and Row Publisher, 1957.

- [10] www.burek.com/psiholog-online, „Малтретирање на радном месту“, јул 2009.
- [11] www.economy.rs/berza_rada, „Босанци нису задовољни својим радним местом“, јул 2009.
- [12] www.economy.rs/berza_rada, „Несрећни сте на послу? Шеф је крив“, јул 2009.
- [13] www.ekof.bg.ac.yu/nastava/posdiploma/organizaciono_ponasanje, "Вредности и ставови запослених".
- [14] [www.knowledge-bank1.org/poslovna komunikacija](http://www.knowledge-bank1.org/poslovna_komunikacija), Лекција 10, „Пословна комуникација“.
- [15] www.poslovnazena.biz, „Истраживање узрока и последица канцеларијског беса“, јул 2009.
- [16] www.profitmagazin.com/izdanja/broj_9-10.137.html, Вилман Леа, „Ангажовање запослених“.

ISSUES WITH FINANCING SERBIAN ECONOMY AND COMPANIES

Slobodan Ignjatović
Megatrend University, Belgrade, SERBIA

Summary: *The growth of companies and the economy as an entity depends, among other factors, from the development of the financial system and the financial risks which emerge with financing the investments as a basic company growth factor. The cause-effect link between the financial system and the financial risks on one, and the economy growth on the other side has been empirically and theoretically verified. Company's financial system anyway functions better if the company has greater financial strength. Without sure internal and external financial sources it is not possible to found a company and start the production process, in other words, it is impossible to provide a constant financing of current business. It is impossible to imagine a developed national economy without a developed financial market. Unfortunately, our country has a highly expressed financing problem, because there is a deficit in capital because of low accumulativity and the lack of savings. That is why the sources can be provided with good interests and other financing costs under other less favorable conditions. Financial markets are undeveloped so the stock finance and other views of financing fall behind this kind of financing in more developed countries. That's why this work will analyze financing of companies and the economy, functioning of the Serbian financial system from the view of external sources of financing, and the basic financing risks which are, during this period, considered relevant in the domain of Serbian companies and economy financing.*

Keywords: *financial system, external financing sources, financial markets, financial risks.*

1. INTRODUCTION

As we know, financial system is one of the most important parts of the economic system and its most important elements are: financial markets, financial participant and the financial instruments. Financial system of Serbia is featured by distinct central banking, similar ways of financing have developed in other less developed countries, and its growth has slowed down in 2008, because of slower loan activity. Capital market has, almost continually, shown negative trends, and the decrease of index values was affected by lower solvency, political insecurity, as the value of reference rate of interest, due to the increment of monetary policy restrictiveness. Like in the most of the countries in the region, banking interest rate has made growth, while the interest margin was the greatest right in Serbia. Loan expansion has slowed down, and as the main risk in banking sector there is an indirect loan risk, which is because of the depreciation pressure caused by the crisis additionally amplified, because the population and the real sector are not enough monetary protected. Banks still have a leading role in the growth of the financial system in Serbia. Other financial institutions under inspection of the National Bank of Serbia, despite the relatively low interest in the given financial system, show a significant potential for growth and increase their contribution to the volume of financial intermediation, and also their share in BDP. In the financial system of Serbia, banks have kept a significantly dominant position, managing 90% of all financial assets. Financial institutions in foreign possession participate with nearly 80% of balance active of the banking sector. Global decrease of trust in the financial sector, which has reflected to our market as the fall of investment expectations, was the factor that determined this year's flow in the home capital market. In the Belgrade market, during the first half of this year, the most solvent stocks lost 23% of their value, measured by index of Belex 15, which put them back to their ratings in January last year. Stock prices which are in the index basket of Belex line are devalued in a relatively lower measure (19,3%), considering that the great part of those stocks are not solvent. The devaluation of the stock prices, right next to deficit of solvency, is influenced by growth of reference rate interest and other interest rates in home financial market, considering that the investments in the money market represent the alternative for capital market investing. In the same time, activity of larger number of factors in home and international money market influenced the increase in banking interest rates. Average

weighted active interest rate of banks is increased from 11,3% to 16,61% on a one year level. That increase was mostly affected by significant increase in reference interest rate [1]

The following analysis has a goal to, in evidenced ambient of the financial system of Serbia, look over the functioning of financial system of Serbia, economy financing, most significant financial risks which emerge in this period, but all from the view of external sources of financing of economic entities and the Serbian economy as a whole.

2. FUNCTIONING OF THE FINANCIAL SYSTEM OF SERBIA

In the privatization market of Serbia, on the demand side are individual investors, foreign investment funds, home investment funds and pension funds, and on the offering side are individual owners, in other words the companies which are coursed on the stock exchange in the privatization process. Many companies are retired from the stock exchange after being taken over. On the financial market, even with high number of transactions, both relative and absolute turnover volume are being decreased, and one of the reasons may be the fact that the relative stock value (price, accounting value), on this market are falling down. The mechanism of discharge of privatization stock market is developed by speeding up the turnover during the concentration and the number of transactions increases, up to forming a significant or major block of shares, after which the turnover of those stocks are slowed down, which is reasonable, so that with the decrease of demand stock prices decrease. It is sure that the cause of this event is in the fact that the market basically doesn't function as the stock market, but more like company market. The result of this event is that after there is an enough concentration of ownership over company stocks (in the hands of one person or a group of people), the demand, turnover and the price fall down. As the new owner does not sell their share stock, stocks are withdrawn from the stock exchange and this mechanism explains the big difference between capitalization level and the turnover value in Serbia.

Intensive ownership concentration is a result of, before all, low protection of owner rights of minor stock holders. Namely, there is a negative correlation between the concentration of ownership and a quality of legal protection of the investor [2, pp. 28]. Inefficient corporative management leads to expansion of capital costs and slowing down the company growth and the national economy. Privatization, as a part of the transition process, should provide a minimum quality of corporative management [3, pp.519]. Unless the level of protection is increased, the privatization process won't have the company efficiency improvement as a result. Contrary to that, agency problem will be intensified through different forms of expropriation of minor owners, including the tunneling process [4, pp. 5]. The process of ownership concentration eliminates the stocks from the financial market, to avoid the danger of eventual loss of control and to strengthen the owner-controlling structure, leads to a series of negative consequences as to the corporation itself, so to the financial market. In this way, the corporation loses one of the possible sources of financing and becomes fond of using oftenly more expensive sources, like banking loans. The financial market becomes nonsolvent and deprived of its own basic functions.

Anyhow, these attributes of the market have a significant affection to its future development, the development of the financial system, but also to the national economy. The first consequence is of course the low market solvency. Namely, the market solvency and the possibility of quick withdrawal from the given investment are considerable facts of its attractiveness. Level of current and the expected solvency will affect the forming of critical mass of interested investors on the demanding side. Privatization market has a chance to stop the discharge process, but this market is highly sensitive to demand behavior and has basically low solvency. If the financial market remains non-solvent there will be consequences to its destiny and to the potentials of external financing of companies that continually exist as open corporations. In case these conditions are not met, lack of demand will affect the decrease of all emitter's stock prices. For now the decrease in prices of overtaken companies stocks is a common thing. In case this market configuration is maintained, the benefits of company's open society status are minored. This can lead to closing even those corporations that have an objective interest to do business as open companies. The market in this form will fade out. Number of initial public offers will be negligibly small, and the market will function as long as there are resources for redistribution.

The outcome of these circumstances reflects in the impossibility to manage basic functions of financial market: 1) fixing the prices; 2) allocation functions; 3) transfer function; 4) solvency function; 5) informative function and 6) market cost devaluation function. In those conditions it is hard to expect any efficiency from the market, while the question of its imperfectness is totally irrelevant. The basic consequence of the current market state to the corporate sector is the increased possibility of their stock devaluation, in other words their owner's properties. This is consistent with the view that the weak corporative management is confronted with greater variability of demand due to quick loss of investor's reliance. These problems specially become significant in the period of company's performance decrease and the capital market as a whole [5, pp. 135] Portfolio investors from abroad are, in the crisis condition, withdrawn from the corporation in which the high risk of their properties and income expropriation.

What the specific thing is the fact that in many home corporations the stock emission is not considered as one of possible sources of obtaining capital, because the owners do not want to lose the ownership and the control over the company. Namely, stock exchange ranking also means greater business transparency, opening to the public and publishing information. On the other hand, many new companies don't have the accumulated profit, so they are forced to use external sources of financing. Surely the stock emission process and stock exchange ranking are questionable, demand spending and usage of investment banks services, because of what the new companies are oriented to using banking loans. In the Serbian financial system there is a hierarchy theory, which explains the choice of financing sources in case of expressed information asymmetry, considering that the managers have more information on profitability and company's business, and the investors do not objectively assess the company value.

However, there is a possibility for successful Serbian companies to be listed on foreign markets and therefore provide greater capital value, but that would bypass the home market which would be left without quality papers which would revive it and stimulate a wave of other public offers. For further development of financial sector in Serbia, it's certain that the changes of banking sector are inevitable, that is to say the increase of its capacity (loan offers) and efficiency (decrease of intermediation costs). A significant step in further banking sector development has surely been done, in year 2008, by passing a law on deposit insurance in the amount of 50.000 Euros.

Also the basic strategic goal is the increase of banking efficiency, in other words the decrease of financial intermediation costs. The fact is that the costs, profit and other parameters of bank efficiency in Serbia have high unfavorable values. The increase of security level in banking and financial system, in other words devaluation of its risk level, should provide its easier integration into European processes and lower the transfer costs. Supervision of business of banks and other financial institutions needs to be modernized institutionally and technically. It is necessary to activate a new channel of financial intermediation, non-banking financial institutions, savings banks and micro loaning institutions. Activating this system will contribute the increase of system efficiency and the increase of competition on the capital and deposit markets. Build-up of non-banking financial institutions is possible by establishing a supervision capacity in the insurance sector and by accepting the midterm sector development strategy.

The forming and functioning of Serbian financial system is greatly influenced by the non-implemented financial legal act, which mainly aspects the lawful regulation of the financial market. Namely, there are laches in the investor's interes protection, sanction application and market integrity protection. In the stock exchange on one hand appeared companies which by economical performances can not be corporations, and on the other hand, the companies were allowed to be ranked on stock exchange B lists, without publishing prospects and information about business. Likewise, the Commission on stock paper did not sanction the trade based on classified information, nor did it sanction the nonobservance of obligation of stock redemption of little stock holders in case of gaining major ownership by related persons. Even the stock market doesn't follow the trends in other developing countries, firstly because there were no national stock emission, and there were additional problems concerning both emission procedure and interest rate. Stock emission procedure considers evaluation of loan rating and finding a financial intermediate which would be involved with the process. Interest rate would have to be high, since it would include a double digit inflation and not likely the home companies bonds investors would be satisfied with income lower than 18%.

National Bank of Serbia, by interest rates on repo operations as a basic monetary policy instrument, demonstrates the influence on financial system functioning. That means that the establishing of foreign currency is left for the market, and that the fight against inflation is battled with increase of reference interest rate on repo operations, which gained the highest amount of 16% in the beginning of 2009, and has been lowered to 13% since June this year. From this monetary policy from NBS, banks also have benefits, since the repo operations do not only bring them nominal Dinar rates, but also bring an additional profit based on the foreign exchange drop. Namely, the banks convert foreign currencies into Dinars and therefore gain profit of nearly 16% on yearly level, and when they pay up the Dinar interest, they can buy foreign currencies on lower course than the original, and that's why profit in Euros during the 2008 based on repo operations investment were over 40%. Regarding the fact that the banks can gain great profit with low risk, based on approved consumer and residential loans to the population, they have no motivation and interest to give loans to the economy, so the companies are referred to foreign creditors.

From previous analysis of functioning of financial system of Serbia we can gain a few conclusions: 1) in sonditions of unstable market and descending stock market trend, the stock market listing, also as not knowing the paper emission procedure represents a big problem of gaining capital this way; 2) high interest rates represent a big problem on bounds emission; 3) stock exchange trading is not enough legally set, which repells investors and paper issuers to shares as a source of companies' business financing; and 4) monetary policy determines the height of interest rate and transforms the financial market into repo operations market.

3. ECONOMY FINANCING

In all the world's countries the most significant sources for economy financing are the companies' profit, in other words its own sources. In European transition countries, 65% of the investments are financed from profits, while that percentage is lower in Latin America and higher in Asia [6, pp.120]. Around 20% of the financing comes from banking loans (home and foreign), only 5% from shares emission. However, unlike in Serbia, bond market over the world keeps growing, even though it still isn't a significant source of financing. Besides that, a dominant place is held by national bonds, unlike corporative stocks which lag behind in almost all European developing countries, because only 8% of the value of issued bonds comes from corporations.

If the growth of Serbian capital market would be measured with market capitalization indicator (amount of all stock values from all emitters in the given market's turnover), which had a high growth rate in the last few years, we could conclude that the Serbian market had a strong expansion since the start of 2003. The value of market funding in the case of Serbian market is very similar to the one from the period 1998 to 2004, recorded by such countries as: Slovakia, Lithuania, Hungary, Slovenia, Czech Republic and Poland. According to the amount of market capitalization, the market of Belgrade stock market is the closest to the Estonian market [7, pp. 56]. Even according to standardized indicator of market development level (relative ranking of capitalization in relation to BNP), stock market in Serbia is, comparatively watching, light. However, the changes in relation of market capitalization and BNP in Serbia, move on an upward scale since 2003, which was not the case in most of the East and South European countries. The numbers of listed stocks also, like one of the next indicators of capital market development, shows expanding of the Serbian market.

Overall market capitalization of companies on the Belgrade stock exchange market was about 20 billion Euros or about 49% of gross home production of Serbia in 2007, and according to last year this indicator has doubled. According to this indicator, Serbia can be compared to other countries from the region about 40% home gross products [8, pp. 6]. Greater growth of stock market values in the last couple of years was only recorded in Ukraine and Bosnia and Herzegovina. However, the shares sale does not represent the most significant source of companies financing. Market capitalization shows the value of shares of all companies coursed on the stock market and all the companies on the market are coursed in relation to necessary privatization and also the most of the shares are not traded with. Namely, in Serbia there is not one company which has by primary share sales gained capital for functioning and successful business. According to that, the market capitalization, no matter if we talk about absolute or relative value in relation to BDP is a lightly useful indicator from the view of market significance for companies financing. However, the situation is similar to a great number of less developed countries. There are very rare cases where the ratio of shares emission gained capital and BDP goes over 1% [9, pp. 116]. In Bosnia and Herzegovina and Croatia this indicator is 0,1%, on the Latin America markets it is in the range from zero to 1,5%, and it is a bit higher on Asian and African stock markets (Hong Kong 35,6% and in Jordan 23,7%).

Due to the flatness of capital market in Serbia, companies have used loans as a significant external source of financing. Companies have still been a significant banking sector committee during 2008. In the structure of total loans, the companies' loans reach an amount of 512 billion Dinars or 54% of total approved loans. The total approved loans ratio in the private sector and BDP in 2008 amounts over 38% which is the case in other transition countries in Europe. Growth of company loans, as their relative increase in relation to other sectors loans in 2008 is questionable, considering the fact that there is still a tendency and continuance of direct foreign debit. As an alternative to companies' foreign debit, on which they singled out a mandatory provision, the companies have incurred debts directly abroad and in this way a part of corporate bank portfolio is directed towards correlated abroad institutions. According to available data the state of company foreign debts in 2008 amounted over 9,5 billion Euros, almost 30% of BDP. In the private sector loaning in Serbia structure, economy is participated with about 60% and the citizens with 40% and this ratio is stable with mild increase of citizens' participation. This loan ratio is unfavorable and in other developing countries the citizenship participation as a loan recipient varies from 25 to 35 percent.

There is a possibility in Serbia that the companies loan monetary assets from different national development institution, such as: Development fund, Small and medium companies and entrepreneurship agency, Security and financing of foreign trade businesses (SMECA), Security and exports financing agency (AOFI), Guarantee fund and the Agency for foreign investments and export promotion (SIEPA). The listed institutions loan companies, offer guarantees to banks for companies loaning, offer counseling and technical help and help the companies' business in other ways.

Besides the papers from National Bank of Serbia, the stock and other loaning papers market does not exist, and before all there is none corporate bonds emission. There is even less old savings bond traffic, only 1% of overall paper market in 2008, and even less in short term national records.

There's a significant increase in trading of treasury bills of National Bank of Serbia and in the structure of all paper trading in the Serbian market, treasury bills of NBS participate with around 95%. Overturn value of these papers trade in 2008 amounted over 70 billion Euros, so the repo transactions became a new way of paper

trading. We should bear in mind that a large money overturn in repo operations is a consequence of two factors: the first one is the amount of assets invested into repo jobs, and the second is a short term of money refund, always 15 days, because the National Bank of Serbia performs repo operations during this period. After that the money is returned, increased for interest, so the bank can invest it again, so that the every transaction is calculated as a new trade, even if it is basically investment into the same paper.

For the financial market recovery it is important for the country to think about introducing a new variety of valued paper, because if nothing happens soon, there could be a downfall of trust into market mechanisms when we talk about offer improvement, but also bring into question collective investments, such as investment and pension funds. The rise of share prices in the market in the beginning of 2009 is a consequence of the thing that the shares of some companies were undervalued and do not represent their true business level and profit gain. The downfall of stock market turnover is partially a result of economical crisis but partly an absence of solving the acute lack of solvent papers. Absence of initial public offer, debtor papers, corporate bonds, are only some of the reasons why stock exchange market is on an enviable level. During the last five months of 2009, the overall turnover value on the Belgrade stock market is 10,7 billion Dinars, or 113 million Euros. In the same period, there has been an increase of participation of foreign currency savings bonds in overall trading, nearly a quarter of all trade turnover, 24,35%, is carried out in bonds trading.

Regardless of the crisis, there is still a significant participation of foreign investor, so on the side of buying the shares their participation in the period January to May was 43,36%, and on the side of sales 49,19%. General characteristic of the market is the fact that it has little individual investors, only 20.000 citizens, or about 0,3% ever traded on the stock market or bought or sold at least one share. Belgrade stock market is trying to educate the share owning citizens by organizing various free trainings, but it is only at its beginning.

Signals coming from the market, not only ours but the whole world's should be used by those managing the crisis, and realize them as a sign that the investors have the capital, but should be met with new offers, which will carry with itself a greater profit possibility.

4. INFLUENCE OF THE MOST SIGNIFICANT FINANCIAL RISKS TO THE ECONOMY FINANCING

There are different definitions of financial risk, from which the most often quoted are: financial risk is a possibility of loss implied into methods used for company financing, which can threat its capability to provide an adequate profit; financial risks considers the loss questionability because of negative changes in prices, interest rates, exchange rate and monetary value [10, pp. 185]; or risk of possible future changes of one or more variables like a certain interest rate, financial instrument, goods prices, exchange rate, index and price ratings, loan rating or loaning index or other variables, under condition that in the case of non-financial variables that variable is not specific for the contract side [11, pp. 122].

From a large number of financial risks that influence the company financing, we will analyze only those which are considered relevant, and those are country risk, interest rate risk, and exchange rate risk.

Country is a debtor's loan risk in the country as a whole, observed from a specific perspective of the country [12, pp. 2] or country risk is a risk of performing transaction with a certain country or owning a property and an entity in it [13, pp. 95] and it is different from sovereign risk which is a loan risk of a sovereign country as a debtor. The possibility that some country cannot fulfill its obligations refers to the fact of increased country risk and is not in the direct cause-effect relation with direct investment purpose, but with a whole list of economical, financial, political and other conditions in the given country. Sovereign rating has a goal to measure the risk that the government can fulfill its obligations, either in home or foreign currency. Basic criteria for loan risk model is the possibility of nonperformance, as an exposure to risk, determined by the moment when nonperformance arrives, and the return rate since there is a nonperformance [14. pp. 4]. One of the most famous independent world agencies for determining loan ratings, index, and also the services of investing research and data is Standard & Poor's [15]

Rating scale of Standard & Poor is in the range from AAA to CC, where the ratings AAA, AA, A and BBB represent investment rank ratings, and the ratings marked with BB, B, CCC and CC are a speculative quality. According to Standard & Poor's methodology, there is a high risk in every paper emission which is rated lower than BBB. Country that did not gain an investment rating will not be able to invest its debt papers into international capital market or get a loan from a foreign bank, or will have to pay a higher margin above the referent market interest rate (Libor, Euribor).

That has direct consequences in case of eventual debt incurring of Serbia with needs for external financing of economic development, in example realization of the Corridor 10 project in the international capital market. It depends on the rating will there be any interest in buying out its debtor's papers, considering that Serbia does not have an investment rating (BB), or the investors will demand such income rate, above reference interest rate of 3,5-4%, which would mean that if Euribor amounts about 5%, interest rate of about 9% should be paid, plus the

cost of emission arrangement. This further means that for Serbia and her companies, it would be better to incur debt with international financial organizations, whose interest rates are bit lower, although these organizations are also refunded on the capital market.

In context with the OECD countries on Arrangement on Officially Supported Export Credits, we periodically determine categories of risk in certain countries and territories, total of 210, on the base of what the insurance rate on export loan are determined. According to the classification valid since February 1st 2008, Serbia is in the group of countries with the biggest risk, classified in the category 7. This category only includes Bosnia and Herzegovina and Moldavia [16]. Classifying Serbia into the group of the most risk countries has a consequence such as more expensive import and direct foreign investments from the countries they originate from.

Interest rate risk refers to the possibility that due to interest rate changes, debtors have no possibility to fulfill their obligations partially or in the whole. In Serbia, economic entities and the citizenship are exposed to the interest rate risk on banking loans, which mainly have a growth trend. According to official statistic data interest rate on a one year's level was 13,61% in the end of 2005, 15,88% in the end of 2006, 14,81 in the end of 2007 and in the end of June 2008 it was 16,79% [17]. Since the effective interest rate, which includes all banking loan costs, is mainly a few percentage points higher than the nominal interest rate, so that in the middle of 2008 it averaged about 20% on a year's level, and with some loans (like short term loans to citizenship) it got over 30% on a year's level.

High interest rates show that the Serbian companies are stressed with high cost of loan services, and we should not neglect the effect of interest rate growth in the citizens sector, since the total bank demands from the economy and the citizens have grown up from 509,4 billion Dinars in the end of 2005 to 947,2 billion Dinars in the end of June 2008. This interest rate risk progress directly affects financing of economic entities and the Serbian economy as a whole.

Exchange rate risk is a risk that the national currency changes in relation to foreign currencies will deteriorate the position of companies and economy of Serbia. Here above all we talk about devaluation and depreciation of exchange rate depending on exchange rate system, which will increase prices of import, with consequences to inflation and citizen's spending power. However, even growth of national currency value, revaluation, or appreciation is not favorable in long term, because it decreases export competitiveness, destimulates exporters, increases import demand, and has a consequence of current transaction balance deficit. However, often and big changes of exchange rate can be a big problem for Serbian companies and the whole economy, because of a large number of companies' obligations on loans from banks in the country, indexed with currency index, but also when it is about fulfilling obligations on loans taken abroad, as in country's servicing to abroad. With a view to decrease or eliminate the exchange rate risk on Serbian economy, it would be a good thing to keep a policy of real exchange rate (nominal exchange rate corrected for a difference in inflation rate in relation to reference foreign currency).

5. CONCLUSION

Financial system and financial risks will be a motivational and a restricting factor, from the view of external financing sources for economic entities and the Serbian economy as a whole in a measure that can solve the question of survival and progress of the financial market, especially in the conditions of world economy crisis. In order for Serbian financial market to survive and have a meaning, it is necessary to develop its basic functions. In order for the financial market to reach the mentioned strategic goal, it is necessary to rearrange the legal acts. Here before all we talk about the Paper and stocks law, which gained a new version in 2007, and in the year 2008 there has already been an Amendment for its change and complementation. Also, the Law on paper market and other financial instruments, ratified on a federative level in November 2002, threatens the basic principles of property protection of its minor holders, defined by the Law on economy society. Namely, the legal law does not enable the basic market function establishment, because it hasn't solved the problem of companies opening with a public share offer. Besides that, this law does not provide the protection of market integrity, because it doesn't know the conception of related persons, which has in some cases lead to disavowal of regulatory corpus and to the collapse of market. Amendment to law on changes and complementation of the Law on paper and other financial instruments which are in the Parliament procedure will improve the listed and other deficiencies, with special importance to efficient financial market functioning, therefore the financial system of Serbia.

For further financial market development in our country, we need a bigger role of the country in motivating the companies to reach the needed assets by primary emission of paper. Namely the country could be involved in the first emission phase, educate end even take on loss settlement of emission of papers. It is relevant that the shares are listed in abroad stock markets, instead of home market, which would provide the many successful and competitive companies to gain assets the most rational way.

A positive influence to the financial market development would be an emission of national bonds in order to finance public spending, as long as those assets are used for financing productive public spending.

Even with public finance sector improvement, external and financial vulnerability have grown during the last years, maintaining an accelerated growth of current transaction balance deficit, external debt and private loans related to Euros. High foreign currency savings can be only partially available for lowering the risk due to the high short term obligations of the central bank. A global approach, structural reforms and restrictive policy in the financial and fiscal sector are of great importance to decrease the increasing imbalances.

REFERENCES

- [1] Podaci o finansijskom sistemu Srbije preuzeti sa sajtova i iz publikacije Narodne banke Srbije i Beogradske berze.
- [2] La Porta., Lopez-de Silanes F., Shleifer A., i R. Vishnu, " Law and Finance", NBER, Working paper 5661, Cambridge, 1996. godine.
- [3] Stiglitz, J., Information and The Change in The Paradigm in Economics, Columbia Business Schol, Columbia University, New York, 2001. godine.
- [4] Shleifer Andrej, Johnson Simon, " Privatiztion and Corporate Governance", MIT and Harvard University, septembar 2001.godine.
- [5] Schartstein, david S. , and Jeremy C. Stein. 1998, "The Dark Side of Internal Capital Markets: Divisional Rent-Seeking and Intificient", Mimeo, MIT.
- [6] UNCTAD, Trade and Developmant Report 2008. United Nations, 2008
- [7] Stijn Slasesns et.all, ibidem " The Future od Stock Excenges in European Union Accession Countries", Coraporation of London, maj 2003. god.
- [8] Andritzky, J., "Capital Market Development in Smail Country: The Case of Slovenia", IMF Working Paper No.229, 2007. g.
- [9] Iorgova, S. and L. Ong, " The Capital Markets of Emerging Europe: Institutions, Instruments and Investors", IMF Working Paper No. 103, 2008.
- [10] BNET, Bussiness Dictionary, www.dictionary.bonet.com; Busniess Dictionary, www.businessdictionary.com; Ostojić, S., Osiguranje i upravljanje rizicima, Data status, Beograd, 2007. g.; Ekonomski rečnik, Ekonomski fakultet u Beogradu, 2007. g.
- [11] "Međunarodni standardi finansijskog izveštavanja (IFRS)" 2007", International Accounting Standards Board, London, 2007.
- [12] Nath, H., Country Risk Analysis: A Survey, Department of Economics and International Busines, Sam Houston State Universituy, Hunstville, TX, March 2004.
- [13] "Oxford Dictionary of Finance and Banking" (Third Edition), Oxford University Press, New York, 2005.
- [14] Marwan Elikhory, " Credit Ratig Agencies and their Potential Impact on Developing Countries", UNCTAD, Discussion Papers No. 186, January 2008.
- [15] Standard & Poors " Credit Ratings List", [www2, standardandpoors.com](http://www2.standardandpoors.com)
- [16] Country Risk Classification of the Participants to the Arrangement on Officially Supported Export Creditis, Valid as of: 01-Feb-08, www.oesd.org.
- [17] NBS, Statistički bilten, jun 2008, str. 43-45

DEVELOPMENT OF NEW PRODUCT IN MODERN ENVIRONMENT

Dejan Ilić

Faculty for Education of the Executives, Belgrade, SERBIA, e-mail: dejanilic@sbb.rs

Summary: Modern environment presents a large interactive system determined by the process of globalization, accelerated development of technology, innovations, more intensive competition, and more diverse wishes and demands of consumers. If these determinants are added the new mortgage crisis - occurred in America in the middle of 2007 which is due to the interdependence of national economies multiplied and transferred to the whole world, we come to the conclusion that management today faces a great challenge in order to overcome the negative impact of the crisis and to take actual solutions in order to reach competitive advantage and prosperity. Due to the economic crisis, consumers become more sensitive to prices, which to a large complicates the main task of management to the profitably meet the needs of customers and through the achievement of their loyalty provide a long-term success. On the other hand, rapid technological changes result in constant shortening of product's life cycle, which further leads to constant striving for innovations and development of new products in the period of economic crisis. Modern concept of management is for this reason, based on the direction of the overall effort to maximizing profits through the development of new products and services with the creation the satisfaction and loyalty of customers. Well-known author Philip Kotler, for the same reasons, states that "more is not enough to satisfy consumers, you must delight them"[5]. The aim and significance of this work is to point out the necessity of the implementation of market orientation to the organizations and managers, as well as that the successful development and introduction of the new and superior products to the market with constant satisfaction of customer needs, even in periods of crisis, the basic requirement for long-term success.

Key words: new product, consumer, economic crisis, management

1. INTRODUCTION

1.1. The current processes - impact on the development of new products

Globalization, technology development, change and rising of awareness about the needs, wishes, as well as different understanding of the concept of quality, constantly change the life style. In order to reach competitive advantage the most significant thing is to predict in which direction the consumers are moving in order to always be in front of them [5]. Managers today simply must focus on innovation in all areas of business, all in the direction of satisfying customers and creating loyalty.

Critical factors of creating consumer loyalty and long-term success of organizations, in other words, factors that constitute the so-called core of competitiveness, are: creativity, innovation, knowledge, technology, efficiency and human and individual abilities.

The only approach that puts the focus on the consumer satisfaction through constant improvement of core of competence, and long-term development of quality - TQM (Total Quality Management), as well as the constant development of new products, can guarantee success and sustainable development of modern organizations, even in periods of economic crisis, which is now present in the world.

1.2 The connection and impact of strategy on the development of new products

Authors Gouillart and Kelly observe the organization as a living organism, or as bio-corporation [7]. A large number of authors also agree that the modern organization should be viewed as a living organism that achieves its functioning by co-ordination of its vital organs work, in other words its subsystems.

Such statements accurately, imply that the new product development strategy in the organization is defined by marketing strategy, which must be formulated in the correlation between business and other functional strategies on the one side, and demands on the other side.

In order to clearly overview the strategies of new product development in the modern environment, it is necessary to further clarify the following terms:

- Business strategy is usually defined as the determination of different ways aimed at the realization of the mission and goals of the organization. In accordance with the business and general strategy, the marketing strategy is being formulated.
- Marketing strategy is the most efficient way of exploitation of resources aimed at the realization of marketing objectives. Marketing strategy and marketing objectives define the direction of action, determine which products will the organization develop and for which target markets.
- Successfully formulated marketing strategies are based on the following factors: market knowledge, real understanding of their own strengths and weaknesses as well as the competitors, and the efficient process of segmentation, target market selection and positioning in the market.
- Market segmentation is the division of the market into a number of relatively homogenous entities that have similar interests to the product. After market segmentation, the organization conducts the selection and choice of target markets that will be served. Positioning means a place that the organization or a product occupies or is planned to take in the mind of consumers. In the contemporary environment the positioning is still regarded as a power of the brand, and what is the image that the company managed to develop in the eyes of consumers.
- After the choice of the target market - the decision whether the product or service will be marketed to a specific market, or the whole world, which age is the product intended for, and so on, the organization accesses to the formulation of a marketing mix. Marketing mix is a set of marketing instruments that the organization uses in order to attain the goals on the chosen market. The main elements of the marketing mix are: product, price, promotion and distribution.

In the contemporary environment, every organization that wants to achieve long-term success and maintain customer loyalty in high-level, simply must apply a systematic approach to management. To be more precise, a systematic approach, which means that the whole is more than a simple sum of its parts, and from that reason we need to adjust functioning of all parts of the organization with the needs and wishes of consumers to whom we intended the products or services, all in order to attain the goals and the mission the entire organization.

1.3 Customer loyalty as a determinant of the development of new products

In the contemporary environment, as Tom Peters says: the world is crazier than ever, and in the world in which outrageous has become normal, in the crazy world stable, reasonable organizations - have no sense [10]. In the contemporary environment the competitive advantage is achieved only by the organizations that are ready for radical change, and apply the kaizen method - method of constant improvement. The competitive advantage is achieved by organizations that develop new products and services, apply the bolder and more explicit advertising and the organizations which simply know the needs and wishes of their target consumers group. Statements like the above mentioned are the main reason this chapter is devoted to the behavior of consumers.

Consumer presents a social and cultural living creature that is at the same time an individual for itself, a family member, a member of certain groups, a representative of a certain nation, race or religion. Consumer's behavior is motivated and stimulated by a number of economic, sociological, psychological and other factors and influences of the environment. Due to the complexity of the problem organizations are not able to analyze all aspects of behavior of actual and potential customers, but it is an imperative to identify and determine the main motives and factors that influence the behavior of consumers, and therefore adapt their products and marketing strategy.

Behavior of the consumer is defined as behavior that consumers demonstrate in the search, purchase, usage, evaluation and availability of products and services for which you expect to meet their needs [6].

Customers' behavior essentially involves the question of what people buy, why do they buy it, where and how, and how often do they purchase and consume products and services. These questions must continuously be searched for answers, no matter if we consider the consumer the people that are final consumers or organizations as consumers who buy products for further production intended for some other target customers.

A number of studies which aim to research consumer behavior show that 1-2% of consumers who are thrilled about the product are ready to change the brand, while 80% of consumers will certainly change the brand, if not happy with the product. Such studies lead us to the conclusion that the organizations must constantly strive to maximize the value delivered to consumers [5].

Delivered (received) value for consumers presents the difference between the total value to consumers (the value of the product, the value of services, personal concept, the value of the image), and total costs for consumers (cash expenditure, time spent, effort made, psychological stress).

The task of management is focused to, using the cross-functional teams, develop the marketing mix and new products or modify the existing ones in the direction of raising the value delivered to customers.

So, the organization in modern environment must be focused on maximizing the supplied values and transition of customers from the first phase - the first purchase, through repeated purchases to the phase in which consumers become partners of the organizations and recommend her to friends and reference groups, in other words agitate for it. Achieving a partnership relationship with customers presents a vital factor for success in the turbulent environment of today.

The willingness of the organizations to, in the shortest time possible, adopt scientific invention and align with their capabilities and embed it in their new product (innovation), increases the chances of survival in the market. Eminent author Peter Drucker defines innovation as a tool that businesses use in the direction of improving business and creating greater value for consumers. According to him, the organization must know to apply principles of successful innovation because each facility is only a weed; each mineral is a rock only up to the moment when they have no use and an economic value. This conclusion is primarily related to the fact that innovations in a large number of cases actually are not concrete things, but the changes in the technology and business organization. For example, buying on loans has led to major transformation of whole national economies. For this reason, the entrepreneurship and innovation are observed as a search for systemic changes and their use in order to achieve greater value supplied to the consumers [4].

2. NEW PRODUCT DEVELOPMENT

2.1. Modern concept of the product

Product is usually defined as a set of benefits that can be offered to customers in order to meet their needs and desires. From this definition we can see that the product can be seen from two aspects. From the technological aspects the product presents a result of the production process, while from the consumer aspect, it presents the means for meeting the needs.

Modern understanding of the concept of products considers the product, whether it is a service or physical product, from the point of view, which refers to the physical, tangible, objective characteristics of products and from the point of view, which refers to the symbolic, intangible, and subjective properties. A well-known author Levitt, states that the product is almost always a combination of tangible and intangible [12]. He explains his statement on the example of the car, which according to him is not only a transportation mean differentiated by design, size, color, accessories, performance, but represents a set of symbols, which indicate the status, personal attitude, the inner motives, etc. Such understanding caused the car manufacturers to along with the improvement of technical performance of the car, try to improve and speed up order processing and vehicles delivery, improve motivation and training of sales staff, and build a positive image in the public.

For this reason, the most of contemporary authors observes the product as a set of different components, in other words levels of products, which are shown in the following way [9]:

- Central component - physical product, functional characteristics, technical solutions
- Final component - brand, model, design, price, quality, stylisation, contact with the consumer, attitude and behavior of the staff
- External component - delivery, warranty, spare parts, installation, instructions, services location, additional services

Total (overall) product, in the modern environment presents much more than the physical product. It is composed of central, final, and external components, and only as such a system entity may present an optimal way to satisfy needs and desires of the consumers. This approach to total product in combination with TQM, presents a prerequisite for the creation of loyalty of customers and long-term success of organizations.

2.2. New product qualification

The diversity of products that are now offered on the world market is almost frightening. The selection of products is increasing every moment, because the organizations rapidly introduce new products to market. One of the most important impact of these changes is the accelerated reduction of life cycle of the products. For this reason, organizations must constantly search for innovation and development of new products, as the only prerequisite of long-term survival and success. However, before approaching further analysis of these topics, it is necessary to show the following classification [2]:

1. Completely new products - they present a completely new type of product that is usually based on completely new technologies. This type of product has not existed in the market until now, and for this reason they are also called products new to the world, which further results in the creation of new markets.

2. New product lines - present products that are already present in the market, but are new for a certain company. For example, Hewlett-Packard introduced the laser printer to the market.
3. Expansion of existing production line - presents the introduction of new items, but in the already existing production lines of the company.
4. Improvement and revision of existing products - this type of product is related to the improvement and modification of any components of product-central, final, or external
5. Repositioning - presents a change of position in the mind of consumers on due to promoting the additional features of the product.
6. Reduction of costs - this category is the least innovative of all the above mentioned categories of products. This is the type of product designed to replace the existing products in the line, but at lower cost.

Based on the results of the research that was conducted by Booz, Allen & Hamilton, it can be concluded that in overall rate of new products - *completely new products* are represented with 10%; *new production lines* with 20%; *expansion of existing production lines* with 26%; *improvement of existing products* with 26%; *repositioning* with 7%, and *reduction of costs* is represented with 10%. Surely the first two types of new products in the previous classification of products present the most favorable products because they allow quantum jumping in order to improve the quality of life of consumers, but on the other hand, viewed from the aspect of organization, they represent the highest risk.

2.3. The main factors of success and failure of new products

Recognizing the biggest threats and learning on the errors presents a very good technique of risk management. For this reason a number of investigations were carried out with the aim of identification of the basic factors of failure of new products. The results obtained by this research led to the identification and grouping of basic factors in the following way:

- Failure due to deficiencies during the definition, implementation, and interpretation of the results of marketing research
- Failure due to product inadequacy
- Inadequate timing.

Well-known author Robert G. Cooper classified the primary factors for the success of new products as the following thirteen points [2]:

1. Designing a unique superior product, that delivers unique benefits and superior value for the customer, and presents the most important factor for success.
2. Strong market orientation - process of development of new product based upon the needs of customers.
3. The benchmarking process - constant monitoring of the world's product development, design, achievement, as well as target marketing strategies are of critical importance.
4. Implementation of marketing research as well as testing before the beginning of development (predevelopment work), to a large extent reduce the risk, and also provide the necessary parameters needed for successful development of new products.
5. Precise definition of a new product - in the early stages of development it can greatly contribute to the long-term success.
6. Clearly defined plan of introducing a new product - which must include a clearly defined marketing mix.
7. Defined organizational structure, motivation and commitment - are surely very important factors of success.
8. Top management support - it is a very important link in the whole process of developing a new product.
9. Synergy - is simply necessary, because the separate development of projects presents a certain failure.
10. Developing completely new and unique products intended for attractive markets - statistically looking have greater chance of success.
11. Effective use of resources, with constant focusing on the innovation.
12. Speed of development of new products - is of crucial importance, but with maintaining the wanted level of quality and the implementation of all necessary testing.
13. Implementation of the process of new product development by stages - in other words multiphase development process, enables better risk management, more effective control, better coordination, and all of that together to a large extent increases the possibility of success of the new product.

2.4. System of phase development of new products (Stage-gate system)

After top management decisions related to the determination of the budget intended for the development of new products and the formation of the organizational structure responsible for the implementation of the development of new products, it is necessary to access the phase development of new products. **Stage-gate system** is the most effective method that is used for management of the process of new product development. According to this method of innovative process, new product development process is divided into several phases, where at the end

of each phase is a control position (gate), on which we conduct analysis and control (checkpoint). So, after the end of each phase we analyze the achieved in the previous phase, which more accurately means comparison with the criteria and decision-making by the leaders of the project and cross-functional team, if the conditions were met so the project can move to the next phase of realization. After a positive evaluation of the project leaders and the positive results of market research and a competitive analysis, top management decides if the project will really go to the next phase of development or not. At each checkpoint, four types of decisions can be made: to continue (go), to eliminate (kill), wait (hold), or modify (recycle). Stage-gate system is used by almost all the bigger companies such as Mobil, 3M, Hewlett-Packard, Lego, etc..

Stage-Gate System, or as it is called by Philip Kotler: The New Product Development Decision Process consists of the following stages [5]:

1. Collection of ideas - the collection and preliminary analysis of the idea - is the idea worth further consideration,
2. Analysis of ideas - presents the analysis if the idea is complied with the objectives, strategy and resources,
3. Development and testing of the concept - the phase in which we discuss the possibility of developing a concept of products that would meet the expectations of the target group of consumers,
4. Development of marketing strategy - the formulation of effective and profitable marketing strategy,
5. Business analysis - consists of analyzing the ratio of product and profit goals of the organization,
6. Development of the final product - if all the earlier phases has been successfully implemented, the concept is adopted, but with the analysis if the developed product meets the technical and commercial expectations,
7. Market testing - analysis of sales of products - Did the sale meet the plans, and if it didn't, should the concept be modified and returned to the phase of development, or be withdrawn and the product should be disbanded,
8. Commercialization - Does the sales meet our expectations, and if the answer is no, should we modify the product or marketing program, or if the answer is yes, we should direct ourselves to the future plans.

It is necessary to emphasize that with the commercialization phase, the process of development of new products does not end, but continues in the following directions: the first one is tracking the volume of sales of new products and seeking ways to improve the volume of sales of existing products, and the other is focusing on the implementation and control of the implementation of the entire marketing strategy, and focusing on the future plans of the organization.

3. CONCLUSION

Political and economic instability, which determines the business environment and the Serbian market, has led to a fall in production, the dropout of the professional staff, the higher rate of inflation and high unemployment rate. The whole geopolitical situation, the process of transition, and now the negative effects of world economic crisis result in trend in which the domestic organizations, particularly large economic systems, became non-competitive in relation to the world manufacturers.

The process of privatization and the whole transition force our organizations to become more flexible and to more quickly react to changes in the market and to even more successfully accept the necessary changes and improve their business. This further implies the necessity of forming management teams that will formulate the marketing strategies appropriate for our market with tendency of strengthening the competitive position on foreign markets as well.

The aim of this paper is to encourage managers in Serbia to think, that without creating loyalty of the customers and the implementation of a specific process of development and introduction of new profitable products, there is neither long-term success nor the survival of the organization. Managers in Serbia must become aware of the fact that the process of globalization is unstoppable and the pressure of competition to our organization, over time, will only be reinforced, and that the concept of total customer satisfaction and the development of new products must be constantly applied in order to achieve success and prosperity.

The attitude that many organizations actually now have "to survive", long-term watching, leads to disappearance of the business scene. In Serbia there are positive examples of development of new projects and products, and some of them are: successful organization of the music festival EXIT in Novi Sad, which has become the biggest music festival in South East Europe, and attracts thousands of foreign tourists or the development and publication of archaeological sites Viminacium near Kostolac primarily thanks to archaeologist M. Korać [22], or nominating the Devil's Town for the world's wonder, which started the revitalization of the entire municipality of Kuršumljija [24]. Another positive example is the development of production program of Metalka Majur which exports its products into 17 countries and that has adopted the development of modular program, for which it has been awarded "Step in the future" award of the technology fair in Belgrade 2008. [23].

However, despite the number of positive examples it is evident that the situation regarding the development of new products in the local organizations is unfavorable, and certainly the trend must change in order for long-term survival, not only to the success of organizations, but also the entire nation prosperity.

REFERENCES

- [1] Adižes I. (1999.), *Adižesov bukvar za preduzetnike*, Grmeč, Beograd
- [2] Cooper G.R. (1994.), *Winning At New Products* 2.edition, Addison-Wesley Publishing Company
- [3] Douglas S. (2001.), *Globalna marketing strategija*, Grmeč, Beograd
- [4] Drucker P. (1985.), *Inovacije, preduzetništvo, prakse i principi*, Grmeč, Beograd
- [5] P.Kotler (2000.), *Marketing Menagement The Millennium Edition*, Prentice Hall International, Inc.
- [6] Maričić R.B. (1999.), *Ponašanje potrošača*, Ekonomski fakultet Beograd
- [7] Mašić B. (2001.), *Strategijski menadžment*, dopunjeno izdanje, Univerzitet „Braća Karić“, Beograd
- [8] Mekdonald M., Dandar I. (2003.), *Segmentiranje tržišta*, Clio
- [9] Paul Filfield, (1998.), *MARKETING STRATEGY 2.edition*, Reed Educational & Professional publishing Ltd.
- [10] Peters T. (1997.), *Luda vremena zahtevaju lude organizacije*, Agora, Beograd
- [11] Porter M. (2007.), *Konkurentska prednost*, ASEE, Novi Sad
- [12] Senić R. (2000.), *Marketing menadžment*, Prizma, Kragujevac
- [13] Stiglitz J. (2007.), *Making Globalization Work*, W.W. Norton Co., New York
- [14] Stoner J., Friman E., Gilbert D. (2000.), *Menadžment*, reprint izdanje iz 1997., Želnid, Beograd
- [15] Levitt T., „Break free from the product life cycle“ Harvard Business Review, 2005
- [16] Vest K. (2004.), *Istraživanja tržišta*, Clio, Beograd
- [17] Giese J., Cote J. Defining cosumer satisfaction, www.amsreview.org
- [18] Kostić M. 4p inovacija, emagazin, www.poslovnaznanja.com
- [19] F., Jaramillo F., Loncander W., Market drivig organization, www.amsreview.org
- [20] Innovation audit, survey of innovation performance in Serbia 2005-2006, www.ec.europa.eu
- [21] Managin for design excellence, Design Council, 34 London, www.designcouncil.org.uk
- [22] Beogradska kulturna mreza, www.beogradskakulturnamreza.com
- [23] Metalka majur , www.metlaka-majur.com
- [24] www.djavola-varos.com
- [25] Mohanbir S. Wolcott R. Inigo A. The 12 different ways to inovate. www.sloanreview.mit.edu.

ORIGIN AND DEVELOPMENT OF EUROPEAN UNION, WITH SPECIAL LOOK AT TRAFFIC POLICY OF EU

Zoran Jerotijević

Faculty for Education of the Executives, Novi Sad, SERBIA

***Summary:** European Union was created as an answer to centuries long conflicts and war devastations in the hart of Europe, shortly after two world wars in first half of the XX century. In the beginning, EU was only an economic union of limited range (with only six countries). Today, it embraces wide regions in West, North, South and East of Europe. Creation of unified market influenced the genesis of significant political and justice associations. Expansion of The Union gave a bigger importance to traffic, because it resulted in connection of people from very distant regions. It also created important changes in this area (market liberation, high standardization and infrastructure development).*

***Key words:** Europe, Union, Market, Integrations, Traffic, Infrastructure, Liberation.*

1. ORIGIN AND DEVELOPMENT OF EUROPEAN UNION, WITH SPECIAL LOOK AT TRAFFIC POLICY OF EU

International relations emerge as a set of actions that subjects of those relations take in their act on the international level. Their actions create a state which is controlled by laws which represent 'resultant' of subject's aspirations and abilities in foreign-relations and its ambitions [3, pp. 363].

Question of economic codependence can be analyzed from its earliest stages (and genesis of first countries) until the modern day. In the beginning, this codependency was simple, especially in relation of one country's problems with neighboring barbarian nations, where that nation satisfied its needs (for slaves, natural resources, etc.) without the considerations of interests of its neighbors [3, pp. 364].

Creation of bigger national unions was, for a long time, based on conquering wars (Asir, Egypt, Greek conquering of Alexander the Great, Roman Empire, Byzantium, Arabia, Turkish Empire), and because of that, international unions were very rare and were created only in necessity for defense or, possibly, conquests.

We can come across the idea of European integrations in the period of Roman and Byzantium Empire.

During the Middle Ages, European idea (creating united Europe, at least in the region of Central Europe) was realized through the Holy Roman Empire, which included many Central European countries, with Germany in the centre. During its existence (from 10th century up until 1809, when Napoleon abolished it), Roman Empire suffered from continuous internal conflicts, religious wars and constant fight against central government. In 19th century, Napoleon had an idea of unified Europe, with France as its leader. On the other hand, Russia, with the idea of Pan-slavism, had a wish of unification of Slavic regions of Europe, of which they would be leaders [4]. Pan-Germanism had as goal gathering of nations on two levels. First level regarded the countries of Central Europe, mainly of German origin (except for Czech Republic and Hungary), and the second level wanted a customs union with the countries of Southeastern and Eastern Europe.

After two World wars in first half of the 20th century and huge war destructions in Europe (with numbers of casualties unforeseeable in previous human history) the idea of united Europe reemerged. Separation of Europe and the World into two opposite blocs (NATO in the West and Warsaw in the East) caused economic integrations in their scopes. Founders of the new 'European idea' were famous French politicians and diplomats Robert Schumann and Jean Monnet. In the time when Western European countries started ascending the industry with extra help from 'Marshall Plan', economic unification of six European countries begun (France, Germany, Belgium, Holland, Luxemburg and Italy). The union of these six nations was officially founded by the Treaty of Paris in 1951 [2], and it was known as the European Coal and Iron Community. The question is: why exactly

was it *'coal and iron community'*? The answer lays in the position of two of the leaders of this community, West Germany and France, that those are two key resources in the military industry of that time, and, in case of good cooperation in this area, the agreement would extend to the other parts of industry [6, pp. 10]. Six years later, in 1957, by the decree of Treaty of Rome, EURATOM (The European Atomic Energy Community) and European Economic Community were created. European Economic Community was created in order to carry out all of the obligations of this community, except for those performed by European Coal and Iron Community and EURATOM.

These communities were created in the time of the start of bloc division of the world, especially in Europe. Position of European countries of market orientation was very complex because of their immense touch with the opposite bloc (communist countries under the control of USSR), which economy was based on strict government planning system. On the other hand, these countries were politically and military connected with USA, one of the superpowers, which had very strong influence on their unification. There were (and there are) different views on the European integrations in the span of the so-called *countries of the West*. One view was strict closing in the region of Western Europe with strong reliance on USA (UK), while the other had aspirations of a Europe from Ural to Atlantic, expecting the fall of communism in Eastern Europe (Charles de Gaulle) and towards complete European integration.

The expansion of the European Union (outside six founding countries) didn't continue until 1973, with the acceptance of Denmark, Ireland and United Kingdom. In the early period, expansion was prevented, mostly because of the position of France and de Gaulle towards Great Britain, because of the contrary positions on the aspects of both NATO and relations with USA.

This expansion was probably the crucial step towards formation of the unified market. Unified market as a goal of The Union, was especially important in the early 80's. This integration basically ended by formation of the Monetary Union, which happened through two phases: first phase was the creation of unified market between 1986-1992, and the second was introducing the mutual currency, from 1999 to 2002.

During 1920's, side by side with the successful efforts in creating unified market, special effort was used in the field of political integrations. First step towards that was Maastricht Treaty, which came to effect on November 1st 1993. This treaty directed integrations towards unifications in economy, collective foreign policy and safety and cooperation in the fields of police and law. To this day, this is the single most important step, considering those that came in the Amsterdam Treaty (1999) and Treaty of Nice (2001). Recent tries (after 2004) which dealt with the draft of the Constitution and with stronger political integrations, didn't give significant results. Acceptance of new countries also influenced division between members. We can say that market and monetary union function very well, for now.

2. TRAFFIC POLICY OF EU

Harmonizing in this area is important for eliminating contradictions connected with efficiency, mobility, technical standardization, increasing travel safety, protecting the environment.

In the early phase of the genesis of The Union, differences were significant and policies were organized on the national level. Serious integration in this area didn't start until the early 1980's, and they would finish after 1993. and in harmony with mutual regulations of unified market [6, pp. 314]. Final result of this integration was increase in quality and lower prices.

According to importance of the specific branch of traffic, highway traffic dominates with 75% of transported cargo, railroad transportation – 14% (during 1970's railroads made 30% of transportation), sea transportation, with 7%, pipe traffic around 5%. Highest degree of regulation happened in air traffic, although the regulation in this branch was last to start. Although naval traffic was of great importance in the past, it lost big part of that significance during development of European Union, and it began to retrieve its importance during the last decade of the 20th century.

Considering ecology, it should be noted that ecological consequences of traffic have local, regional and global aspect. First one is in control of some countries (noise, emission of lead and carbon monoxide), regional aspects relate emission of nitric monoxide and pollution of sea in the areas of the big harbors, while emission of carbon monoxide is considered a global pollution.

Measures that The Union accepted in the beginning of the 21st century are related to increase of safety in traffic, ecologically cleaner traffic and, by all means, more efficient transportation. As part of these measures, we can certainly count higher quality standards of roads, vehicles, fuel (ecologically cleaner fuel and appropriate kind of engine). Also, regulations of maximum speed of trucks, transportation of dangerous cargo, braking system, and limited work time of truck drivers [6, pp. 315].

Changes in the railroad transportation went in direction of privatization and renting of the railroads and railroad installations to all users under the same conditions. The Union took the responsibility of modernization of the railroads (especially main roads) and reloading terminals.

In the last three years, biggest changes were made in air transportation. In early 1980's, government-owned companies were predominant in this area, while today this branch of traffic is characterized by strong competition between private companies.

In sea transportation, aside from market liberation, main focus was on progress in the field of sailing safety. In relation to that, there are now certain qualifications requested for ship crew, as well as special standards for oil and dangerous cargo transportation.

3. CONCLUSION

European Union was created after the great war devastation in the World War II. Connection of once opposite sides during two World wars was the main condition for stable economic and political development of Europe (in this case, this regards the countries of Central and Western, and in some way Southern Europe, from the end of the 20th century). Axis of this community was and still is France-Germany. From French diplomat Robert Schumann until today, European idea, disregarding periods of crisis, came into a faze where de Gaulle's vision of Europe from Ural to Atlantic is almost achieved.

In regards to transportation, end of 20th and beginning of 21st century gives the biggest expansion in this area (development of infrastructure and new standardization). This area employs (when we talk about first 15 societies of EU) around 7% of all employees, and they make around 7% of the entire income. Expansion of European Union in the last ten years was very important for increase of importance of this branch of economy. Also, the importance of ecological components as well as the integrations of different ways of transportations and Trans-European infrastructure should not be overlooked.

REFERENCES

- [1] Avramović Nenad, «Pravo Evropske unije», Privredna akademija Novi Sad 2009.
- [2] Contract came to effect on July 25, 1952.
- [3] Ibler Vladimir «Međunarodni odnosi» Naprijed Zagreb 1971.
- [4] Meckenzi David «The Serbs and Russian Pan-slavism», Cornel universitu press ithaca New York, first published 1967.
- [5] Pantelić Snežana, Mr. Tomić Nataša «Saobraćajno-transportno pravo», Saobraćajni fakultet Beograd 2004.
- [6] Prokopijević Miroslav «Evropska unija-uvod», Službeni glasnik, Beograd 2005.
- [7] Stojanović Radoslav «Spoljna politika Evropske Unije» Dosije Beograd 1998.

HUMAN RESOURCE MANAGEMENT IN TIMES OF CRISIS

Natalija Jovanović

Faculty for Education of the Executives, Belgrade, SERBIA, e-mail: tehnodromks@gmail.com

Summary: *Economic crisis has seriously spread over Serbia and its consequences are felt in almost every field of business, including human resources, which is one of the vital functions of each and every company. Since the beginning of the year the scope of employment in Serbia has fallen for about 20 %, the employees are insecure about their future, and in some firms the redundancy is more than obvious. These are all aggravating circumstances for employees, but challenges for employers, as well. The challenges should be dealt with in the best possible way because the good team is precondition for survival in times of crisis. Some of the ways to overcome the crisis and solve the problems employers are faced with are: choosing the right candidate for job; quick and efficient choosing of a new employee; using the biography base, feedback to candidates about the results of an open job advertisement, etc.*

Key words: *crisis, employees, employers, business managing.*

1. INTRODUCTION

Economic cycle has its good and bad periods and after several good years, the period of recession and crisis always comes. That's the law that constantly repeats and there's no doubt it will stay the same in future, too [10]. The behaviour of company owners, contractors, managers, and all other employees, is an issue that is interesting to be studied in times of crisis. Do they have knowledge and skill to help them out of the crisis better and tougher? In good times, we 'hunt' for market shares, and go for higher growth.... Good incomes can bear some bad steps, but business managing is essentially changed in times of crisis. Incomes fall down, resources get more expensive, liquidity weakens, business cycle of a company slows down and everybody is seized by panic. And simply, there is no time nor place for mistakes, just few should occur and even those are much more expensive.

2. CONTROLLING

Noticing the first signs of crisis, managers immediately want to know some answers: What part of a company makes loss? What part becomes weaker and weaker? What segment of business becomes burden that should be left behind? If there is a well-organized controlling system in a company, these and similar questions will be answered in very short time, while the others will find themselves in trouble when realize they don't have qualitative mechanisms for quick, efficient and most important-correct discovery of weak points. Generally speaking, controlling is still developing in our country, in many companies it doesn't exist, and there where it does, the question is how good and right it is. Some tasks which are far from real control business are very often assigned to controlling. That's why it seems like it has become just some kind of fashion and fashion is something that changes a lot and is ephemeral. It is thought that great part of companies has no ready instruments for measuring, which could help the management to make right decisions about what and how to reduce, and what should be left intact. This means that many managers in these times of crises, will run the companies according to their own intuition and common sense. Managers are generally focused on short-term targets, objectives, which are possible within a year, and that is pure profit. Success of a company is much more than just profit. Success means increasing the overall value of a company. It takes a lot of time and patience to start with controlling in companies, one should be opened for changes, for strategic thinking, be ready to hear what you don't want to hear. The difficulty of a manager's job lies in the fact that every day one has to make qualitative business decisions. And to be able to do that, you need great economic knowledge. The essential skills

one manager must possess in order to run the company efficiently both in good and in bad times are: understanding of microeconomy, expertise in expense theory, sufficient knowledge about economic analyses, understanding of accountancy and managing the finance. They are well-aware why they need the controlling, what they can and have to get from controlling and how to use this information to make more qualitative decisions. You can define controlling as knowledge and skills, the philosophy of managing based on economic logic of rationality, a group of multi-knowledges one manager needs to be able to gather optimal number of information out of the base of numerous data from a company and to use them in qualitative decision-making. It consists of integrated managing that in its base has vision, mission and objectives as a foundation of business politics of a company. Controlling includes planning, control, being informed, organization and managing human potentials [10].

3. CRISIS IN SERBIA AND HR

Serbia stepped into the crisis seriously, and its consequences are felt in almost every segment of business, including human resources, which is one of the vital functions of each and every company. Since the beginning of the year until now, the scope of employment in Serbia has fallen for 20 %, and employers are faced with increased competition of people for a single post(position). The employees are insecure about their job in the future, and in some companies the redundancy is obvious.

These are all aggravating circumstances for employees, but challenges for their employers, as well, which have to be dealt with in the best possible way because the good team is precondition for survival in times of crisis.

3.1 PRECONDITIONS FOR SURVIVAL IN TIMES OF CRISIS

- At the beginning, the right candidate for the job should be chosen

Choosing the right member of a certain team is always crucial for that team and corporate development, and especially in times of crisis when only the best survive. When hiring a new employee, you waste your time and money, as well as during his training when he starts working, and if it turns out that the wrong person was chosen, all that immediately becomes expenditure, adding the possible loss of time and money, which wouldn't happen if the qualitative person was on that position. And finally, you start everything again: the process of hiring a new employee, training, getting used to a team... Thus, in times of crisis, people should be hired intelligently, to the positions where they are really necessary and to try to choose the best candidate because the wrong person will cost a lot of extra time, energy and money. Mistakes in choosing the right people are never excluded, hence it is important to take precautionary measures to avoid that. That's way it is important to choose the adequate media for job advertising which provides the most qualitative candidates for a job. Because qualitative people do not search for a job on TV advertisements of small and ill-established TV stations.

In an open job advertisement, responsibilities and requirements of a vacancy should be clearly defined, what skills and characteristics the person should have and what are desirable ones. If there is a clear vision of a person you look for, it is easier to recognize him/her. And after you make the first choice, it is good to check the right person through a set of interviews and tests. In that sense, more than ever, times of crisis are not times for inadequate people to be hired (having good connections and similar), although there should be a difference between connections and valid recommendation.

- One should be quick and efficient when choosing the new candidate

Time is money, and if it's possible to do something in a quicker and more efficient way, especially in times of crisis, it becomes even more important because there are decreased offers of vacancies, and increased demands, so it is likely to have more applications for a job advertisement than usually. A number of these applications may be completely or partially inadequate, because people, due to increased unemployment, tend to apply for almost every position despite the conditions given in the advertisement. Since the number of applications in bigger companies can be more than 1000 for a single ad, checking each one is a very demanding job. In that case, the possibility of automatic preselection (a program that sorts out good and bad applications according to previously defined criteria) of these applications can be very useful. It is also necessary to define the advertisement in the best possible way, to clearly set the demands for an employee, to describe the job and exact conditions of applying, and point out that incomplete applications or applications of people who don't meet the conditions of an advertisement will not be taken into consideration at all.

- The biography base should be used

In times of crisis people's moral generally weakens and falls down. Spreading the negative energy and pessimism keeps people and society in vicious circle of negative things. That's why it is important to be righteous, positive and have constructive attitude towards people who didn't get the job, this is a good moment for companies to

show their social responsibility and inform all the candidates about the open job advertisement results, which could be easily and efficiently done on myteam.infostud.com site with already existing program, regardless the number of applicants. Thus one shows the basic respect to them. It is even better to be a bit more precise and constructive in those replies and explain to candidates that they didn't get the job because they hadn't sent all the documentation necessary or they didn't meet the advertisement conditions, actually to give them some good reason why they are rejected. In that way, they could correct themselves next time they apply for a job. It is even simpler if you search for employees via poslovi.infostud.com site. It is possible to cut down the process to just a couple of clicks, to make it simpler and to automatic, using as a base some models for this information(notification).

- Work with employees-informing and motivating people-(talking about crisis, its consequences for a company and employees personally, and about measures to overcome or lessen its effects)

Most people don't very often know enough about crisis situations. They are maybe aware of the crisis, but they don't completely understand its causes, thus they don't have the slightest idea how to confront it. Since people are afraid of what is unknown to them, the open conversation about the crisis is one of the possible ways to calm them down, motivate them and gather around the idea how to overcome difficult times. The employees will feel more secure, will try harder and be able to make better decisions in troublesome situations, with mutual solidarity, reducing unnecessary costs, increasing productivity and acquiring required knowledge to fight against problems. Simply, people are readier to make an effort about measures whose objectives are clear to them, and especially if they were involved in decision making.

Talks (discussions) should be public, honest and positive as much as it is possible, in order to keep the good spirit in a team and people's motivation. One talk is usually not enough. If crisis is to last longer, people should be informed about new situation. That's when people are turned to each other, they protect and encourage each other.

- Increasing productivity and quality of work

In unfavourable times, there's no place for "idleness", unnecessary costs, time waste or hiring new workers for jobs that could be done by already hired employees, just with stronger rhythm of work and increased productivity. In business, the existing capacities in firms should always be used, especially in critical times when it is necessary to acquire more with those existing capacities in order to ensure that the firm survives.

There's always space to increase working success in a company, the right way needs to be found(related jobs that could be done by one person instead of two). Existing activities should be carried out in a quicker and better way than before. At the same time, one should take care of contra-effects-not to overburden people more than they can bear. Increasing productivity largely depends on the way it is presented to a team, and even the team itself should be asked about its suggestions for increasing the productivity, because people are willing to carry out the decisions if they were included in making ones.

- Internal training

Employees training can additionally contribute to productivity increasing and quality of work and is very important for a team. In times of crisis, budget is often limited for external training of employees, and only the ones with priority and immediate effects should be kept, and the rest should be left for later. Financially favourable methods such as reading good and practical books or organizing internal trainings within a company should be used. People who have mastered certain skills should tutor and train others in a team. Employees from a team who had previously been on an external training or read a good book, can present the given subject to the rest of the team. That's how people are encouraged to share knowledge among themselves.

- Setting the personal example to show how to overcome crisis

Requests for increasing productivity and rationalisation of costs will have no effects unless the owner of a company or management team increases its own productivity, which is completely logical.

- Restructuring

As the last measure that should be used against effects of crisis, comes firing. But, to avoid firing good workers, when it is obvious that in some sectors so many people are not necessary, the possibility of moving those people to some other sector should be taken into consideration. Maybe some sectors or projects that are not profitable should be completely closed or maybe not, but it is desirable to hold on just the profitable ones and those giving good results. Existing profitable activities should be made stronger, projects that are not profitable should be closed and new ones that have market perspective launched. In that way, instead of firing, workers could be moved from one sector to another.

- Reduced salary instead of firing

Before it comes to firing, the following option should be considered, especially if relatively small team is in concern where people know each other well and function as a compact whole, and it refers to the possibility that everybody sacrifice a bit and agree to reduced salary instead of firing one or more employees, which could have emotionally worse effect on a small team. This is a good solution even if due to reduced working staff, large scope of business must be transferred to those who stayed in a company. All the reasons should be clearly presented to a team, to ensure their support.

- Resignations that shouldn't be hesitated about

In normal circumstances and when business runs well, the problems and consequences of (in)activity of people who aren't giving their best at work are not so obvious, but in times of crisis they are more than obvious. Then, only the best people are needed and if there are any problematic or idle workers, now is the right time for one to deal with them, without much hesitation. Crisis shouldn't be misused for unjustified resignations, but thoughtful selection of people is quite a reasonable thing at any time, and especially in times of crisis.

- Concern about employees who stay in a company

If bigger number of resignations has been given or some smaller team is concerned where changes are stronger and more emotionally felt, then the remaining employees should be given a sense of security, support, as much as it is possible, because they usually fear from getting resignations themselves. They bear the burden of organizational and psychological changes that come along with reduced number of people in a team, so in that process they should get as much support as possible [8].

4. CONTINUED COOPERATION BETWEEN 'ZDRAVLJE ACTAVIS' AND 'B4B', AFTER SUCCESSFUL SAP PROJECT

The company "Zdravlje Actavis" is one of the examples of successfully united big project in cooperation with b4b and beginning of productive work of all SAP HR functionalities.

Broad range of functionalities (personnel administration, organizational managing, time managing, personnel development, training managing...) matched according to EU-cGMP demands provide management and employees with reliable system with numerous new possibilities, in order to improve business.

Implementation of HR functionalities presents continued cooperation between the company "Zdravlje Actavis" and b4b, after successful SAP project which included production, quality managing, supply, warehouse managing, sales, finance and controlling and on 14.03.2008. the first phase of HR project was terminated in "Zdravlje". Functionalities implemented through these components enable running the evidence of data about employees, the administration of data about presence and absence of employees, their qualifications, trainings, and as the most important segment of this phase of implementation is the possibility of analysing the employee's qualifications compared to demands of his position.

In this way, for the first time, one company from "Actavis" corporation got the possibility of efficient insight in employee's qualifications according to all trainings such as SOP or GMP trainings, etc.

Consultants from b4b go further with the second phase of the project, and since certain functionalities from the first phase are tightly connected with functionalities in the future phases of implementation, the validation of HR module according to EU GMP regulative from this field is in progress [9].

5. THE MOST VISITED SITES FOR EMPLOYMENT IN OUR DISTRICT

Infostud and its site for employment www.poslovi.infostud.com reached an agreement about cooperation with www.mojposao.net leading portal for employment from Croatia and with www.posao.ba main site for recruiting from Bosnia and Herzegovina. The agreement is about business connecting of leading sites for employment in these countries in order to improve the quality of jobs offered on regional market.

Cooperation mainly refers to mutual exchange of business contacts, common approach to employers who search for workers in the region, as well as to exchange of other pieces of information about employment, useful to people who look for a job because they will be familiar with supply of positions in their surrounding, too. Three sites are connected here.

They are top sites in their field and their cooperation and experience exchange will bring additional advantages for users. Special advantage for employers from Serbia is the fact that poslovi.infostud.com will directly enable them to look for workers both in Croatia and Bosnia via the most visited sites for employment in those countries.

6. CONCLUSIONS OF RECENTLY HELD HR CONFERENCE IN BELGRADE

The main conclusion of recently held third HR conference on the subject: "How to employ and keep the best people?- People stay, crisis goes away.Or vice versa?" is recognition, building, motivation and keeping the qualitative employees, who are the essential guarantee against competition during crisis, but after it as well.The conference was opened by theme:"Human managing human resources in 2009" and it was pointed outthat leaders due to consequences of economic crisis "must accept the fact they can't know all the answers and must know how to live with more insecurity and uncertainty, accept and create continual changes, combine head and heard(ratio and sense), they must urge changes". Departments for managing human resources " must speak the business language and should initiate changes, Change agents and leaders" .

Qualitative selectional process is investment in success of an organisation.Candidates in selectional process must be well convinced, and during selecting and choosing the candidate it is very important to determine their willingness and enthusiasm to carry out high objectives.It is important to ask the candidate what next objective he wants to carry out.Education shouldn't be left over, on the contrary, internal potentials should be used and long-life education encouraged. It is important to encourage team work,as well.In times of crisis a lot of people start to behave inhumanly . " Economic crisis comes from moral crisis.When comes to crisis one looks for a person to trust and rely on, that's way team work should be priority" , and role of the human resource department mustn't be put aside.

7. CONCLUSION

Qualitative selectional process is investment in success of an organisation [9].

Candidates in selectional process must be well convinced, and during selecting and choosing the candidate it is very important to determine his willingness and enthusiasm to carry out high objectives [7]. In times of crisis a lot of people star to behave inhumanly.Nowdays, we are faced with the problem when employers, concerning women older than 35 select in favour of younger women considering their marital status, number of children and other irrelevant criteria which brings women in inferior position.The point is to help them through education to learn how to present themselves in front of employers as top candidates and become competitive on the market. It is almost certain there is no country in the world where women aren't discriminated in favour of men. They earn less, they got fired more often, empyoers appreciate them less due to their maternal leave, sick leave for children, being liable to stress. How intense and strong this kind of discrimination is becomes obvious in times of crisis when women get fired rather and sooner than men.

Yet, researches have shown that women are better leaders in times of crisis. In addition to this, it is often pointed out that woman has stronger sense for a family, and the one who deals with family accounting, costs and expenses automatically has more responsible behaviour at work as well, and that the the exact thing employers should recognize.Women turned out to be calmer in times of crisis, men are more impulsive, and these are not times for those reactions and that's where women fully express themselves [10].

It is true that in these times of crisis women have become leaders of different social movements and have important social positions, but it is still not enough to meet society's actual needs.

REFERENCES

- [1] Cascio, W.F., Managing Human Resources: Productivity, Quality of Work Life Profits, McGraw Hill, New York, 1995.
- [2] Harris M.Human Resource Management, A Practical Approach, "Forth Worth", The Dryden Press, 2003.
- [3] Božinov Jovanović M, Kulić Ž., Cvetkovski T., Principles of Managing Human Resources, Megatrend University, Belgrade 2008.
- [4] Koonz H.,Weinrich H.,Management, Mate, Zagreb, 1998.
- [5] Pržulj Ž., Human Resource Management, Institute for developing small and medium-sized companies, Belgrade 2002.
- [6] Žugalj M., Bojanić Glavica B., Brčić R., Šehanović J., Organizational Culture 2004.FOI Varaždin
- [7] www.moj.posao.net
- [8] www.mojtim.infostud.com/
- [9] www.personalmag.rs
- [10] www.poslovnih.hr
- [11] www.poslovnaiyvrsnost.hr

INTERNATIONAL FINANCIAL INSTRUMENTS OF EU-IPA- (INSTRUMENT FOR PRE-ACCESSION ASSISTANCE)

Dušica Karić

Faculty of Trade and Banking "Janičije i Danica Karić", Belgrade, SERBIA

Summary: *The global economy is in the middle of across the board crisis, which started on real estate market, expanded through unregulated financial system and brought the crisis of credit market and thereafter the crisis of employment as well as the slow financing of countries which are accessing to Europe through Pre-Accession funds of European Union. Up today it developed in complex spell-bound circle, with drop in prices of real estate and growing of unemployment along with struggle against the crisis of credit market. This crisis is equally spreading in developing as well as in undeveloping countries. When economies start to recover, the return to usual way of doing business mustn't happen. The new national and global strategy is needed, the strategy which would recreate the financial markets and their prime function of providing the stable and payable financing of productive investments into real economy, and „speed up“ the funds of European Union toward more rapid financing and accessing of countries of Southeast Europe into European Union. Beside these, it is necessary to constitute the new mode of economic development which would be economically efficient, socially rightful and ecologically tenable. The funds of instruments for pre-accession assistance IPA, are non-reversible funds of developmental assistance, intended to carry out policy reforms and developmental projects which create conditions of approaching Serbia to European Union, as country as potential candidate for membership in EU.*

Key words: *IPA, Pre-accession assistance, Funds, Financial instruments of EU, Potential candidate countries, European commission, International financial instruments of EU.*

From its origination up today, the European Union has continuous tendency of expanding. By its positive influence to economic, political, social and safety illustration of Europe, the European Union got the reputation of peace and stability keeping on European continent.. The signing of Bilateral Agreements on Stability and Accession on the part of all countries of Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, Croatia, Former Yugoslav Republic of Macedonia and Serbia) on one side and European Union on the other side, shows the decision of West Balkans countries to approach to European Union through political, economic and institutional stability, by developing the civil society and democracy. During its forming, the European Union was developing and improving gradually the mechanisms of enlargement processes, facilitating the countries accession to become its members. After very turbulent period, the Western Balkans countries showed the ambition and took initiative in accession the members to European Union. This initiative is recognized by Summit in Zagreb hold in 2000, where is created backdrop of Process for stability and accessing to West Balkans.

By the Instrument for Pre-Accession Assistance IPA, European Union directly supports the efforts of Western Balkans countries in longlasted process of achieving the criteria for membership, among which the most important criteria is the admittance of Aquis Communautaire. Unlike the previous aspects of pre-accession assistance, IPA has the unique regulatory setting and presents the most important aspect of assistance which is available to West Balkan countries in period of time from 2007. to 2013.

This work is focused on new financial instrument for pre-accession assistance IPA which substitute and unify all previous aspects of pre-accession assistance. Financial instruments are integral elements of process of pre-accession to European Union and avail as instruments of help for countries in order to carry out necessary reforms more efficient and to prepare on time for the expecting challenges for the time after admission in membership. Unlike the previous aspects of pre-accession funds of EU, IPA clearly emphasize the difference between countries, classifying them into categories of potential candidate countries (Serbia, Bosnia and Herzegovina, Serbia including Kosovo under resolution 1244 of UN, Montenegro and Albania) and candidate

countries (Former Yugoslav Republic of Macedonia and Croatia) for membership. This dividing enables easier distribution of funds for financing the most necessary segments in process of conducting the reforms, which every country defines with European Union in advising procedure. This way of implementation of financial instruments results in more complete and more fundamental pre-accession strategy, which positive influence will be expressed not only in pre-accession process but also after accession countries in membership. According to previously mentioned divisions, the countries have rights of using two or all five components of IPA depending on its status. Division of components and rights of using certain components have different goals which have to be attained. For candidate countries, the help is in function of admittance and full implementation of Aquis communautaire, while for the potential candidate countries, the help is routed to progressive adjustment with Aquis communautaire.

Instrument for pre-accession assistance, is inheritor of previously five instruments for pre-accession assistance ie. PHARE, ISPA, SAPARD, instrument for Turkey and CARDS, which unify whole pre-accession assistance into unique instrument with unique legal procedure.

As part of the preparation for the new Financial Framework in period of time 2007-2013, a proposal for a new Instrument for Pre-accession Assistance was presented by Commission to the European Parliament and the Council in September 2004. The IPA Council Regulation (EC) No 1085/2006 was adopted on 17 July 2006.

The goal of IPA is to provide assistance to the candidate countries or potential candidates for membership of the Union. In order to attain goals of every country in the most efficient way, IPA is divided into five different components:

- Component I - Assistance in transition and building of institutions
- Component II – Over border cooperation
- Component III- Regional development
- Component IV- Development of human resources
- Component V- Rural development

For candidate countries, the measures referring to regional development, human resources and rural development will be accessible through relevant components which are created to prepare them for implementation in EU, which consider that country has administrative capacity and structure to assume it. In case of potential candidates such measures will be carried out through Component I - assistance in transition and building of institutions [3].

The countries recipients and the commission are signing pre agreements about using IPA funds.

Countries which have status of candidate are: Turkey, Croatia and Former Yugoslav Republic of Macedonia [1]. Potential candidate countries are: Bosnia and Herzegovina, Serbia (including Kosovo under resolution 1244 of UN) and Albania [1].

IPA is based on multi-annual strategic planning constituted in accordance with political tendencies constituted in package for Commission expanding, which includes also many years indicative financial tendency (MIFP). MIFP presents dividing of allocation funds for the period of three years, by countries and components, on the base of needs and administrative capacity of country and adjustment with criteria from Copenhagen.

In the case of Serbia the new instruments for pre-accession assistance will change the current financial support realized through CARDS program. For Serbia, assistance from pre-accession instruments means transition from assistance for reconstruction to assistance for development. Namely, CARDS program was the instrument for reconstruction, while IPA funds should contribute to development. Funds from IPA instruments are primarily intended as support to reforms and development in these fields which are of importance for European process of Serbia, as for implementation of standards and norms of EU and for further approaching Serbia to European Union. Having in mind that Serbia, in process of approaching to European Union, currently has status of potential candidate and that the funds of EU are ruled in centralized way by European Agency for reconstruction, Serbia from 2007, instead of financial instruments of CARDS, uses two of total five components of IPA and in coming period has the obligation to constitute decentralised system of managing the funds of EU, which is beside receiving candidate status, also the condition for efficient using of all components of IPA. Decentralised system of managing the funds of EU, which consider successive transfer of competency in managing the funds from Delegation of European commission to institutions of country which is user of funds.

Components of IPA for the period of 2007-2013. are:

1. Transition Assistance and Institution Building
2. Cross-border Cooperation
3. Regional development
4. Human Resource Development
5. Rural development

European commission allowed the potential candidate countries to use the first and the second IPA component in period of 2007-2013, while the types of projects and activities from components 3, 4 and 5 will be supported through component 1. Priorities, referring to all candidate countries and potential candidates, as well as financial funds for its realization, are declared in Multi-Annual Indicative Planning Document for Multi-user IPA. Document is prepared by European commission in consulting procedure with official institutions of all candidate

and potential candidate countries. The document defines priorities by individual fields as well as financial funds for realizing confirmed priorities during three budget years.

The phase of realizing IPA Pre-Accession Assistance begins by signing of Financial agreement between European commission and the Government of Republic of Serbia, by which the National annual program is approved. On the base of the project recommendation from approved National annual program, preparation of different documents begin, depending on the type of agreement, which will present the base for starting procedure of public supplies and implementation of projects itself. On the base of prepared technical documentations as well as general and specific conditions of negotiations for projects financed by European Union, the tender is announced for selection of project performers or appropriation of irreversible financial funds.

The relevant and successful attaining of goals is deduced in phase of evaluation, as well as efficiency and economy implementation, achieved results and consistency of project.

By Multi-Annual Indicative Financial Framework for Serbia for 2008-2010. the following funds are expected: in mil. euros

Component	2008.	2009.	2010.	2008-2010.
I Transition Assistance and Institution Building	179,4	182,6	186,2	548,2
II Cross-border Cooperation	11,5	12,2	12,5	36,2
Total	190,9	194,8	198,7	584,4

Component I - Transition Assistance and Institution Building - include three subcomponents:

Political requirements: the assistance of European commission will be used to support the stable, modern, democratic, multiethnic and open society, based on legal rules. The special attention will be paid to reform of state governance and reforms of jurisdiction. This subcomponent is directed to fulfilling the criteria from Copenhagen and refers to the next sectors: democratic institutions, reform of state governance, decentralization and local self-government, managing the budget and fiscal policy, government of law, reform of jurisdictional system, struggle against corruption, reform of police, human rights and protection of minority, struggle against discrimination, civil society, media.

Socio-economic requirements: the assistance of European commission will be used to support development of socio-economic environment. This subcomponent refers to support to sections which refers to increasing the employment, education, social inclusion, healthcare, business environment, small and medium companies, restructure and competency, fiscal and macroeconomic questions, internal water transport and stopping overflows, as well as infrastructure and rural development.

European standards the assistance of European commission will support the plan of Serbia for assessment to EU (adjustment the rights and practical policies, needs and requirements of administration for constitution decentralized system of managing the funds of EU). Sectors to which this subcomponent refer are connected with involving and implementation of acquis of EU in all fields, including across the board coordination of European integration process, building the capacities for assuming responsibilities for IPA and preparing for induction of decentralized managing system. Participation in Programmes of Union is also included in this subcomponent. The particular part refers to priority list directed to support of development and implementation of sector strategies and policies which are in accordance with legal attainment of EU with regard to internal market and the best practise in fields like standardization, accreditation and metrology; veterinarian, phytosanitary and sanitary standards; protection of consumers; financial services; public supplies; protection of intellectual property rights; data protection; regulation of market etc.

Required allocated funds in Serbia according to Multi-Annual Indicative Planning Document are as follow:

Subcomponent	2007.	2007-2009.	2008-2010.
1. Political requirements (including civil society)	35%	20-35 %	30-40 %
2. Socio-economic requirements	44%	45-60 %	35-45 %
3. European standards	21%	20-30 %	25-35%

Component II – Cross-border Cooperation supports cross-border programmes which will start between Serbia and neighbour countries, members of EU (Hungary, Romania, Bulgaria), candidate countries for membership in EU (Croatia, FYR Macedonia) and potential candidate countries (Montenegro, Albania, Bosnia and

Herzegovina). All existing bilateral programmes financed up to now from CARDS funds (programmes with Hungary, Romania, Bulgaria) will be continued also in the following budget period and financed by IPA funds. Within the scope of IPA the programmes will start also with Croatia, Bosnia and Herzegovina and Montenegro, while the program with FYR Macedonia could start in later phase. The funds intended to this component can be used so as support to Serbia participation in relevant trans-national programmes within the scope of Structure funds for which Serbia meet the criteria, like the program of Southeast Europe (continuance of CADSES program).

Multi-Annual Indicative **financial framework for 2007-2012.**

The financial value of Instruments for Pre-Accession Assistance in the period of six years is 11.468 billion euros, and is intended to offering support to candidate countries for membership in EU (Turkey, Croatia and FYR Macedonia), as well as potential candidate countries for membership in EU (Serbia, including Kosovo and Metohia under Resolution UN 1244, Montenegro, Bosnia and Herzegovina and Albania). About 10% of total amount of IPA funds for period 2007-2013. will be implemented through so called Multi-user IPA intended for realizing regional projects for countries which are recipients of assistance.

Candidate Country	2007	2008	2009	2010	2011	2012	Total (thousand EUR)
Turkey	497,200	538,700	566,400	635,700	781,900	899,500	3,919,400
Croatia	141,227	146,000	151,200	154,200	157,200	160,400	910,227
FYR Macedonia	58,500	70,200	81,800	92,300	98,700	105,800	507,300
Total							5,336,927
Potential Candidate Country	2007	2008	2009	2010	2011	2012	Total (thousand EUR)
Serbia	189,700	190,900	194,800	198,700	202,700	206,800	1,183,600
Montenegro	31,400	32,600	33,300	34,000	34,700	35,400	201,400
BIH	62,100	74,800	89,100	106,000	108,100	110,200	550,300
Albania	61,000	70,700	81,200	93,200	95,000	96,900	498,000
Kosovo*	68,300	124,700	66,100	67,300	68,700	70,000	465,100
TOTAL							2,898,400

*under resolution 1244 SB UN

Source: Communication from the Commission to the Council and the European Parliament – Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework

Managing the funds

Essentially, there are two systems in managing the funds of EU:

1. centralized managing system
2. decentralized managing system

In centralized system the transactor is institution of European commission or institution which is engaged by European commission and has the residence in the country which is recipient of funds. During realization of CARDS program, this system was applying in Serbia through European agency for reconstruction. This system will be applying also during the realization of IPA through Delegation of EC, up to the moment of implementing decentralized system of managing the funds of EU.

In case of decentralized system of managing the funds, the country which is recipient of funds is doing the job of transactor. The activities of conducting, including arranging and payment, are in competency of national institutions. All funds non used by country recipient must be returned to European commission. Decentralized system of managing the EU funds consider successive transfer of competency in managing funds from Delegation of EC to recipient fund country.

For full implementation of Decentralized system of managing the funds it is necessary to name individuals who will be responsible and also the building of special institutions which will be accredited by European commission. These institutions are:

1. National IPA coordinator
2. National fund managed by person authorized for certification
3. Central unit for negotiation and financing managed by person authorized for certification of program
4. Units for project implementation managed by person authorized for managing the assistance programmes.

Process of implementation decentralized system of managing the EU funds is quite long-term process. Previous necessary steps in purpose of implementation decentralized system of managing the funds are analysis of capabilities of certain operating institutions and their business connected with decentralized managing system, employment of adequate additional number of state employees as well as identification and support of adequate technical assistance and funds for financing the part of expenses of these reforms. Vice president of the Government of Republic of Serbia is named by the Government decision for National IPA coordinator (NIPAC) while the Sector for programming and managing the funds of EU and assistance for developing in Ministry of finance is named for secretary's office of NIPAC. Beside that, the working group is formed and made by representatives of Ministry of Finance, Cabinet of Government Vice-president, Ministry of Public Administration and Local Self Government and European Integration Office. The working group established with a view to draft Strategy and Action Plan for introduction of decentralized managing system of funds, plan of enhancement the capacities of authorized institutions as well as preparations for ratifying the memo of understanding the decentralized managing system of EU funds, between Republic of Serbia and European commission. It was expected that work on draft Strategy and Action Plan for introduction of decentralized managing system of EU funds by working group to be ended on the beginning of 2008.

Funds of IPA are irrevocable funds of developmental aid. The funds are intended to implementation of reform policies and developmental projects making conditions for approaching Serbia to European Union, as potential candidate country for membership in EU. Using funds from IPA developmental aid requires that state from budget provide adequate share of funds for realization of each project which will be financed from IPA. Assets from IPA fund should be consider as additional assets for pro-European development of Serbia and additional motive for implementation priority policies of development which approach country to EU. To this effect the activities and policies in conjunction with European integration should be seen as policy aimed to internal reforms and development, and not like element of foreign policy.

CONCLUSION

Instrument for Pre-Accession Assistance (IPA) is the most important form of aid to Western Balkans countries which is provided for period 2007-2013, as a part of aid within pre-accession strategy of European Union. IPA join all previous forms of pre-accession assistance and put them under unique regulatory shape. Funds from this component fall under irrevocable funds their aim is to support realization of political criteria, economic criteria and criteria in conjunction with Aqius Communaitaire within preparation for successful programming, implementation and managing of EU Structural, cohesion and funds intended to rural development, which will be available to Western Balkans countries after entering to European Union.

Funds provided as financial assistance within IPA component are not assigned and must be earned. Using the quantity amount of funds provided by this instrument will depend on readiness of administrative capacities of certain country to absorb the funds available within IPA. Absorption of these funds depend on readiness of country to take participation in co-financing by its own assets and capability of country to create appropriate programmes of implementation and managing these funds.

The role of IPA funds is being much further then own financing of certain activities, it creates institutional framework of managing the funds which will be able for later non distributive implementation of program financed by Structural funds after reception the country in European Union. The most important thing is that the appliance of IPA program will result in perception change and creating of administration which will be in condition to take over more pro active role in innovations and partnership. In order to prepare each country more efficient and its own administrations for later implementation of Structural funds, IPA funds are divided in five components and make difference between potential candidate countries and candidate countries. The potential candidate countries have right of using component I - Transition assistance and institution building and II - Cross-border cooperation, while candidate countries have right of using all five components. Component III - Regional development, IV -Human resource development and V - Rural development, present the demonstration of internal instruments of European Union and therefore they require high level of administrative capacities, which potential candidate countries should create with available components I and II. Western Balkans countries, and among them Serbia, do not stay behind in process of integration and for sure they are in focus of the next expending of European Union. Access of Western Balkans countries to European Union will depend on update of administrations of these countries in adjustment with accepting criteria. In this process, the way of spending the funds of pre-accession assistance has the key role.

REFERENCES

- [1] Annex I of Council Regulation (EC) No.1085/2006 of 17 July 2006 establishing an Instrument for Pre-accession assistance (IPA).
- [2] Borchardt, Klaus-Dieter Dr. *The ABC of Community Law*. Fifth edition © European Communities, 2000.
- [3] Commission Regulation (EC) No.718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).
- [4] Communication from the Commission to the Council and the European Parliament – Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework.
- [5] European Commission, *Understanding enlargement*, Directorate General for Enlargement, 2007.
- [6] *European Union Public Finance*. 4th Edition © European Communities, 2008.
- [7] Fontaine, Pascal. *Europe in 12 lessons*, © European Communities, 2006.
- [8] Hadžiahmetovic, Azra. *Ekonomija Evrope*, Sarajevo 2005.
- [9] http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/decentralisation_en.htm.
- [10] http://ec.europa.eu/enlargement/pdf/press_corner/keydocuments/reports_nov_2008/miff_2010.
- [11] http://ec.europa.eu/enlargement/enlargement_process/accession_process/.
- [12] http://ec.europa.eu/enlargement/the-policy/process-of-enlargement/mandate-and-framework_en.htm.
- [13] http://ec.europa.eu/eurostat/ramon/nuts/introduction_regions_en.html.
- [14] <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0013:0045:EN:PDF>.
- [15] <http://europa.eu/scadplus/leg/en/lvb/e50020.htm>.
- [16] http://europa.eu/scadplus/glossary/stabilisation_association_process_en.htm.

THE INFLUENCE OF ORGANIZATIONAL STRUCTURE ON TRUST EMPLOYEES

Borislav Kolarić

Telekom Srbija" a.d., Belgrade, SERBIA, e-mail: borislav@telekom.rs

Summary : *In response to the challenges of the modern business environment, most organizations choose to use the concept of knowledge management. Should this concept prove its positive effects on business, it is necessary to implement successfully of all its elements in the organizational structure and culture of the company. One of the most important elements of the concept of knowledge management is the trust among employees within the organization. Therefore it is very interesting to explore how the organizational structure of its form affects the level of trust of employees in an organization.*

Keywords: *organizational structure, trust employees, knowledge management*

1. INTRODUCTION

Any organization that decides to apply the concept of knowledge management must be aware of the importance of adequate implementation of all its individual elements in the organizational structure and culture of the company. The organization must develop an open environment where employees feel comfortable to share their knowledge and the knowledge of others, in the atmosphere full of confidence. If there is no trust among employees toward their colleagues and managers, even in spite of the availability and accessibility of various advanced technologies, cooperation will not happen. Building trust between employees and managers, as well as between employees is another tool for success of knowledge management process.

The purpose of this study is to research the relationship that apparently exists between the level of trust individuals possess towards the organization in which they work and the organizational structure. Also being examined is the influence the organizational structure (high performance vs. traditional hierarchical organization) has on the individual's level of trust.

There is a consensus in the literature reviewed that trust is essential element to an organizations success. Cook and Wall [3] conclude that "trust between individuals and groups within organizations is a highly important ingredient in the long-term stability of the organization and the well-being of its members"

2. ORGANIZATIONAL TRUST

The definitions of trust are numerous and sometimes confusing, mainly due to each discipline viewing trust from its own perspective. Two definitions of knowledge management were selected :

"Trust consist of a willingness to increase your vulnerability to another person whose behavior you can not control, in a situation in which your potential benefit is much less than your potential loss if the other person abuses your vulnerability" (Zand) [21].

"Belief that those on whom we depend will meet our expectations of them" (Shaw) [16].

Research on trust is often associated with research on organizational commitment and work attitudes. Research conducted by Daley and Vasu [4] examining employee attitudes of organizational trust towards those in top management positions demonstrated that demographic controls (education, pay level, race and gender) exhibited no substantive effect. Attitudes assessing internal job characteristic (benefits, extrinsic rewards and work environment) demonstrated a relationship in fostering trust. External work characteristics (job satisfaction, supervisory evaluation) also emerged as determinants of organizational trust.

Very often people think that an organizational culture with a high level of sociability also implies high level of trust. This is not always true. However, you might trust someone but might not necessarily like this person. Trustworthiness takes a long time to build, and yet trust can be destroyed in an instant.

The benefits of high trust include (De Furia) [7] :

- Stimulates innovation;
- Leads to greater emotional stability;
- Facilitates acceptance and openness of expression;
- Encourages risk taking.

Consequences of low trust include (De Furia) [7] :

- Values, motives of others are misperceived;
- Less accurate communication, poor reception;
- Diminished ability to recognize and accept good ideas;
- Increased attempt to obtain relevant information;
- Increased control mechanisms;
- Self-control replaced by external controls;
- Delayed implementation of actions and projects;
- Increased rejection, defensiveness, hostility;
- Win-lose mentality replaces win-win.

“Trust is the one essential lubricant to any and all social activities. Allowing people to work and live together without generating a constant, wasteful flurry of conflict and negotiations” (Cohen&Prusak) [2].

2.1. Dimensions of organizational trust

Organizational trust is not a simple concept to understand. It requires many factors be considered when measuring it. According to the Mishra Model for Organizational Trust, there are four dimensions of organizational trust. They are competence, openness and honesty, concern for employees, and reliability. Recently, research has been done to show that there is yet another factor to consider—identification (Shockley-Zalabak, Ellis and Winograd) [17] :

- The first dimension is competence. According to Shockley-Zalabak, et.al , competence is a generalized perception that assumes the effectiveness not only of the leadership, but also of the organization’s ability to survive in the marketplace. At an organizational level, competence connects with the extent to which employees see the organization as effective: whether it will survive and be able to compete.
- The second dimension is openness and honesty. This is the dimension that is most frequently referred to when speaking in respect to organizational trust. This dimension involves the amount and accuracy of information shared, as well as the way in which it was communicated .
- The third dimension is concern for employees. This dimension pertains to the efforts by others to understand the feelings of caring, empathy, tolerance, and safety when in business activities.
- The fourth dimension is reliability. This dimension deals with the question; can you count on your co-worker, team, supplier, or organization to do what they say? Do they act consistently and dependably?
- The final dimension is identification. This dimension “measures the extent to which we hold in common goals, norms, values, and beliefs associated with our organization’s culture. This dimension indicates how connected we feel to management and to our co-workers” .

3. ACCORDING TO THEORISTS

Douglas McGregor [12] outlined two theories of management behavior that explain why some managers adopt certain management strategies. The earlier theory, Theory X, is mostly associated with bureaucratic management theory. Here, “management distrusts workers, feels that employees dislike their work, and can only be made to cooperate through precise management and heightened control. In contrast to Theory X, managers practicing Theory Y trust people, empower employees, and believe in their capacity to integrate their own values, beliefs and goals into the organization. Open communication and mutual trust between all members of an organization will help facilitate the basis behind Theory Y, creating an organization that is effective in all its endeavors.

Argyris [1] believes that organizations should take on the belief that human growth is important. He claims that when mistrust in organizations rises, individuals will look out for themselves, rather than working together. The result is decreased productivity due to the lack of information flow, conformity, and ineffective decision-making. Argyris proposes that organizations of the future should “seek to enrich work, minimize unilateral dependence, and increase openness, trust, risk-taking, and expression of feelings”.

Likert [10] developed a more thorough and complex model than McGregor's. Likert proposed the existence of four organization systems. They are exploitive, benevolent authoritative, consultative, and participative group. They are also thought of as systems 1 through 4. Traditional, control-oriented management practices represent a strategy of dividing work into small, fixed job where individuals can be held accountable. This approach is associated with Likert's System 1 organization. Likert's System 4 organizations are "characterized by managerial confidence and trust, solicitation and utilization of subordinate input, open and accurate communication, integrated and involved decision-making process, jointly established and fully accepted goals, low control procedures, high productivity, low absence and turnover and less waste and loss".

4. HIGH PERFORMANCE ORGANIZATIONS VS. TRADITIONAL HIERARCHICAL ORGANIZATIONS

Throughout the past couple of decades, a new form of organization has been taking front stage. These organizations focus on a team based approach rather than the typical individual approach in organizations. They are often referred to as high performance organizations—an organization that tries to bring out the best in individuals and create an exceptional capability to deliver high-end results (Dalton) [5]. These organizations produce goods and services at higher quality than traditional organizations and tend to the same or fewer resources (Jordan) [9]. With this newfound identity, high performance organizations seem to be overtaking the traditional hierarchical organization.

There are many aspects that are similar between traditional organizations as well as high performance organizations, but unlike traditional organizations, high performance organizations build on those similarities to create a more meaningful work experience. One particular aspect that is quite different between the two is that of job roles, both management and worker. In a traditional organization, the managements and workers roles tend to be completely segregated, which is not true of high performance organizations. In traditional organizations, workers tend to have one specific task or role that they perform every day. High performance organizations take the approach of emphasizing skills that will allow the worker to better serve the company by solving problems and interacting with customer, other workers and other departments [20].

Another aspect that differs between traditional organizations and high performance organizations is the goals, both business and human, that each perceives to be important. Goals that traditional organizations tend to focus on are primarily how well the company is doing (business goals) and that everything is within the organization is secure for the workers (i.e., working conditions, economic security, fair treatment). However, high performance organizations go beyond just the basic fundamental goals of traditional organizations. Their goals tend to be more related to customer satisfaction, learning, as well as adapting to change within the workplace. When it comes down to human goals, high performance organizations expand on those of the traditional organization by adding job satisfaction. Job satisfaction is an important concept to consider in any organization, no matter what structure is present.

In high performance organizations, workers are given more responsibilities and are trusted to achieve the goals necessary for the company to succeed; but not only does the organization succeed, the workers do as well because they are viewed as a valuable asset which motivates them to want to succeed. Unfortunately, most traditional hierarchical organizations do not have the same thoughts. According to McCauley and Kuhnert [11], "traditional, control-oriented approaches of work force management represent a strategy of dividing work into small, fixed jobs for which individuals can be held accountable". On the other hand, individuals in high performance organizations tend to work in groups, which makes everyone accountable.

According to Jordan [9], there are eight characteristics of high performance organizations:

- clear in their mission;
- define outcomes and focus on results;
- empower employees;
- motivate and inspire people to succeed;
- flexible and adjust nimble to new conditions;
- competitive in terms of performance;
- restructure work processes to meet customer needs;
- maintain communications with stakeholders.

The eight characteristics define what many organizations would like to say how they run their business. However, not many companies actually have the ability to achieve this goal. According to Pfeffer [13], fewer than 10 percent of all American companies develop and maintain a high performance organization. This is primarily due to management not "walking-the-talk." Walking the talk create environments that foster communication, build trust, and facilitate teamwork. When this is not done, employees place their trust in other people, rather than the organization leaders. In order for an organization to be truly high performance, management needs to understand that there is not a linear structure; instead it is more of a flat structure. This is

where trust and job satisfaction come into play. When management says they are going to do one thing and then turn around and do another, vertical trust tends to be lost, which then indirectly affects job satisfaction.

4.1. Comparison of low trust organizations to high trust organizations

Unlike what many may think, people cannot demand the trust of another. Trust must be earned and developed over time (Fairholm) [8]. Those people that feel that others should just trust them are often left out in the cold because people often trust others based on their moral character or integrity. An individual demanding trust from others is not exercise strong moral character. This type of behavior may lead to an environment of distrust, rather than mutual trust (Fairholm) [8]. An organization of distrust can also be thought of as one with low levels of trust.

So, what does an organization plagued with low levels of trust look like? According to Savage [15]:

- The atmosphere is usually quiet; with a low level of energy and commitment ;
- There is no conflict, as anyone who “bucks the system” with complaints is punished or fired ;
- Any change is viewed with suspicion and alarm ;
- Management is a top down affair; status is very important; decisions are checked out through the entire chain of command ;
- People feel locked into their jobs .

This type of organization tends to be less effectively than those with high levels of trust because “employees in organizations marked by low levels of trust usually operate under high levels of stress. They spend a great deal of effort covering their backsides, justifying past decisions, or looking for scapegoats when something doesn’t work out. This prevents employees from focusing on the work they should be doing, and productivity ultimately declines” (Sonnenburg,) [18]. As trust decreases, so does the willingness of individuals to follow their managers (Fairholm) [8]. These organizations resemble McGregor’s Theory X and Likert’s System 1.

Strickland [19] suggests that low trust will lead to a greater amount of surveillance or monitoring of work progress. The employee might interpret this frequent monitoring and surveillance as the supervisors distrust in the employee, which may result in the employee double-crossing the supervisor.

Often, open and honest communication between individuals in low trust organizations is eroded due to barriers that are erected. The result is employees are required to work with incomplete information and not consider other employee’s suggestions without some suspicion (Sonnenburg) [18].

On the other end of the spectrum lie high trust organizations. According to Carol Phillips [14], high trust organizations share five elements. They are:

- They all have leaders who see the value of engaging the workforce in running the business.
- The leaders are visionary, and they articulate their vision clearly and often.
- They believe in sharing the wealth with employees and do.
- They understand the value of intellectual capital, and they invest in it and nurture it.
- They understand the value of loyalty and find ways to develop and maintain it. by inspiring loyalty in their employees, they also have more loyalty and less turnover form their customers and stockholders”

An organizational climate of trust allows employees to surface their ideas and feelings and learn together. Without trust, people may take on unfavorable positions that can inhibit learning .

Trust flourishes in situations where individuals have the freedom to perform their day-to-day task without being monitored by supervisors (Fairholm) [8]. Those that support this freedom will also support an environment of high trust among employees and management.

According to Sonnenburg [18], high levels of trust within organizations:

- Reduces friction among employees;
- Bond people together;
- Increase productivity;
- Stimulate growth;
- Improve employee morale;
- Reduce employee turnover, absenteeism;
- Create an environment where innovation can flourish.

The following diagram (Figure 1.) illustrates the relationships involved in maintaining trust within high trust organizations.

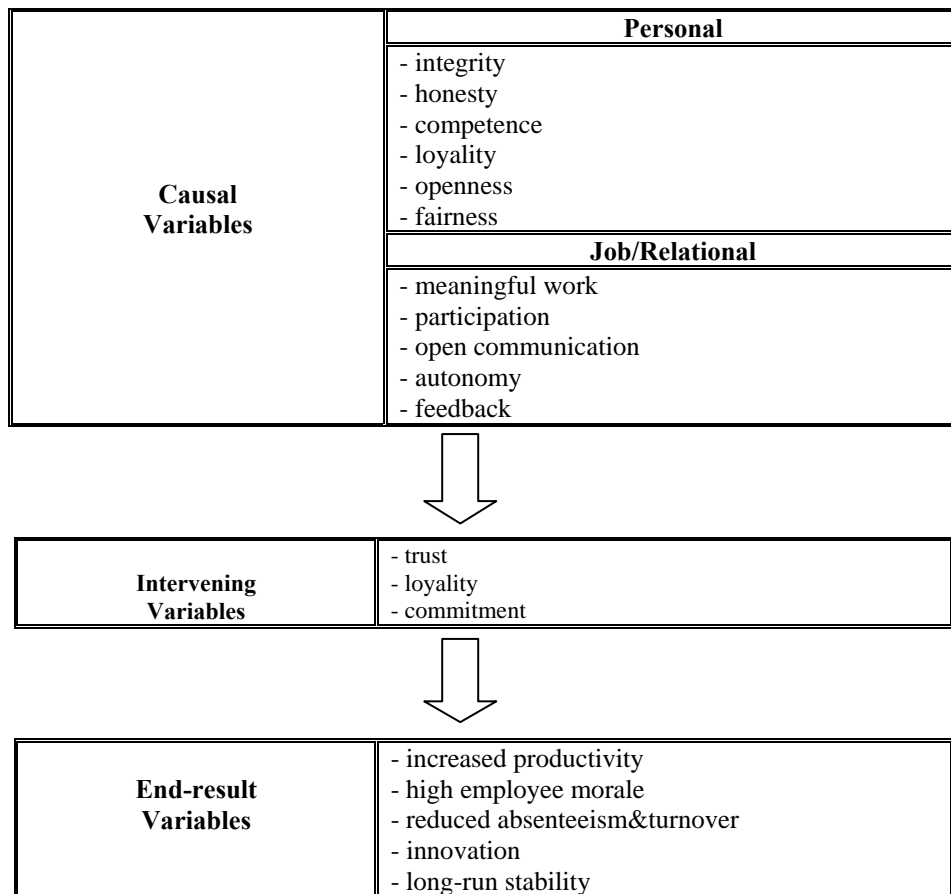


Figure 1: Values associated with maintaining (or building) trust [6]

5. CONCLUSION

The purpose of this study was to determine the relationship of organizational structure and the level of confidence of employees within the organization. By examining the confidence levels of employees in traditional hierarchical organizations opposed to employees in high-performance organizations, it is being tried to determine the impact of different forms of organizational structure on the level of trust employees within the organization.

The results of this paper indicate that traditional hierarchical organizations have not truly evolved into an organization that is looked upon as “people friendly” because of the low levels of trust and job satisfaction.

Employees in high performance organizations achieved high levels of organizational trust and job satisfaction. With the ever-increasing benefits of high performance organizations, including high levels of trust and job satisfaction, it is important for those organizations to continue placing their employee’s first—empowering them to make important decisions pertaining to their job, as well as communicating information about the organization. This type of organizational structure does not work for every organization, but can provide some benefits to those companies that are looking for a little less structure.

The reason high performance organizations have high trust among co-workers as well as among management is because they empower their employees. This empowerment requires management to place trust in the workers to finish the task(s) they are assigned to complete. An organizational climate of trust enables employees to surface their ideas and feelings, use each other as resources, and learn together. Without trust people have a tendency to keep to themselves, rather than share their thoughts, which inhibits creativity (Jordan) [9].

Employees in all organizations want to work in an environment of trust and respect where they feel they are making a real contribution to organizational goals and objectives. They want to be able to have the opportunity to show management that they can accomplish a task with the creativity obtained from working in teams.

REFERENCES

- [1] Argyris C. (1973), *On Organizations of the Future*, Beverly Hills: Sage
- [2] Cohen D., Prusak L. (2001), *In Good Company. How Social Capital Makes Organizations Work*. Harvard Business School Press.
- [3] Cook J., Wall T., New work attitude measures of trust, organizational commitment and personal need nonfulfillment, *Journal of Occupational Psychology*, 53
- [4] Daley D.M, Vasu M.L (1998), *Fostering Organizational Trust in North Carolina, The pivotal role of administrators and political leaders*. Administration and Society 30 (1)
- [5] Dalton D. (2000), Understanding high performance organizations. *Security*, 37
- [6] Dammen J.K. (2001), *The Effect of Organizational Structure on Employee trust and Job Satisfaction* Graduate School University of Wisconsin-Stout
- [7] De Furia G.L. (1997), *Facilitators Guide to the Interpersonal Trust Surveys*, Pfeiffer & Co.
- [8] Fairholm G.W. (1994), *Leadership and the Culture of Trust*, Westport, CT: Praeger
- [9] Jordan S.A. (1999), Innovative cultures+empowered employees=high performance organizations, *Public Productivity and management Review*, 23
- [10] Likert R. (1967), *The Human Organizations: Its Management and Value*, New York: McGraw-Hill
- [11] McCauley D.P., Kuhnert K.W. (1992), A theoretical review and empirical investigation of employee trust in management, *Public Administration Quarterly*, 16
- [12] McGregor D. (1967), *The Professional Manager*, New York: McGraw-Hill
- [13] Pfeffer J. (1998), *The Human Equation*, Boston, MA: Harvard Business School Press
- [14] Phillips C.J. (1997), Do you trust me?, *Executive Excellence*, 14
- [15] Savage D. (1982), Trust as a productivity management tool, *Training and Development Journal*, 54-57
- [16] Shaw R.B. (1997). *Trust in the Balance. Building Successful Organizations on Results, Integrity and Concern*, San Francisco, CA: Jossey Bass
- [17] Shockley-Zalabak P., Ellis K., Winograd G. (2000), Organizational trust: What it means and why it matters. *Organizational Development journal*, 18
- [18] Sonnenburg F.K. (1994), *Managing With a Conscience*, New York: McGraw-Hill
- [19] Strickland L.H. (1958), Surveillance and trust, *Journal of Personality*, 26
- [20] Zand D.E. (1997). *The Leadership Triad – Knowledge, Trust and Power*, Oxford University Press.

ARE COMPANYS' CHIEF EXECUTIVE OFFICERS OVERPAID

Saša Kovačević¹, Sinka Tošović-Spahalić², Vitomir Mrgud³

¹ Communications Regulatory Agency (CRA) of Bosnia-Herzegovina, Sarajevo,

BOSNIA AND HERZEGOVINA, e-mail: skovacevic@rak.ba

² IN TRADE FARM d.o.o, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: sinka@intrade.co.ba

³ Republic Administration for Inspection Activities, Republic of Srpska, Banja Luka, Bosnia and Herzegovina,
e-mail: mrgud.v@teol.net

Summary: *Determining of pays for employees is one of the most difficult and the most challenging functions of company management because it includes numerous elements and it has a far fetching influence on organization's strategic goals, because the pay should attract, keep and motivate the worker. Apart from different forms of financial compensations, there is also a non-financial type of compensation consisting of being satisfied by the work itself, operating environment and conditions, colleagues i.e. contentment by social and/or physical environment in which a person works. With CEO compensations, large companies decide to give the chief executives enormously high pays and even the ownership of the company's shares within the pay-package because in such a way they want to keep them in their structure, stimulate them additionally, and apart from it, they accomplish some marketing points as well on their own behalf, like the increased attractiveness of their shares and the position of CEO's of their company. Long standing marketing and praises on the account of own capabilities have brought to significant growth of pays and other compensations of the top executives, unlike those of common workers and shareholders that have not been dealing with this type of aggressive propaganda. However, the mood towards the top managers today has significantly changed after numerous scandals and market losses realized due to bad management over corporations. But the slyness of chief executives is in effect again, because many of them have readily met such development of circumstances and reacted duly even on the such scenario, coming out from the whole situation as moral winners.*

Keywords: CEO, financial compensation, executive managers, management, compensation estimate.

1. INTRODUCTION

Determining of pays for employees is one of the most difficult and the most challenging functions of company management because it includes numerous elements and it has a far fetching influence on organization's strategic goals, because the pay should attract, keep and motivate the worker. Apart from different forms of financial compensations, there is also a non-financial type of compensation consisting of being satisfied by the work itself, operating environment and conditions, colleagues, i.e. contentment by social and/or physical environment in which a person works. Since it is really impossible to define the perfect pay package, in order to provide as efficient system of rewarding as possible, corresponding to the workers' needs, a certain number of companies allows their employees to adjust their reward system according to the valid technical, organizational, financial and legal possibilities [1]. Also of vital importance for the compensations is to be paid out regularly and on time, in accordance to the conditions defined in advance. In order to determine the level of compensation, as well as its constitutive elements, it is necessary to conduct an analysis and description of work for each work place, taking care on the prescribed legal conditions, geographical factors, equity in financial compensation, increase of costs of living, and gather information and perform the compensation estimation in the competitive companies. Accordingly, it is obvious that the task of determining compensation is not at all simple and easy, necessitating expert knowledge and experience in work the financial compensation is being estimated for, as well as multidisciplinary knowledge from various fields. That is why it is customary that the job of compensation determining is entrusted to the most experienced personnel of the top quality, i.e. to the highest management of the company.

2. SOME OF THE ELEMENTS INFLUENCING THE LEVEL OF FINANCIAL COMPENSATION

We will present several important elements that should always be kept in mind during estimation of the level of financial compensation. Each of them occupies a special place in the hierarchy of determining the level of earnings and together they make the estimation easier to a great extent, and that is why they are the elaboration subject of this paper.

ANALYSIS AND THE JOBS' DESCRIPTION

Prior to determining the relative weight or value of individual jobs, it is necessary to determine their contents and structure. The job analysis represents a systematic process of determining of skills and knowledge necessary for their performance. The primary by-product of job analysis is description of jobs, i.e. the document describing functions, authorizations and responsibilities in detail. People perform their job best when they have completely clear description of the job they should perform, i.e. when there is a document informing them on expectations of the management related to their work place [2].

LEGISLATION

Legislation implies things such as: equal right to employment including the act on human rights, equal work conditions, preventing age, sexual or any other type of discrimination, determining the level of minimum i.e. the lowest cost of labour/salary/hourly wage/daily allowance and similar. "The Act Davis-Bacon from 1931 represents the first national law in the USA treating the level of minimum salary/earning. Additionally, this Act treats compensation of overtime work and prescribes that the cost of such work should be significantly higher than the cost of labour performed during the regular working hours [3]. It is similar with work at night, on weekends and holidays. Apart from it, the offered Act on Flexibility (WFFA) allows workers to chose paid or compensated time for the overtime work according to their will. Workers can collect certain number of working hours every month (the pay period) which they then can spend as paid days-off in order to: extend their holiday, take care of a sick child or family member, visit some cultural, musical or sport event, go to the dentist, preventive maintenance of the car and similar [4].

LABOUR COST DISBALANCE

Today the phenomenon of labour cost misbalance exists depending on the state, region or continent, thus we have frequent occurrences of transferring the production or service resources into the neighboring states, states in the region, and even on other continents, i.e. where the compensation costs for identical or similar work are drastically lower and where there is a sufficient number of qualified work force of good quality, willing to work at such labour cost. Financial compensation is an instrument for attracting and employing qualified and quality work force, encouraging them to put their great efforts and stay in their companies. A company paying its workers well attracts many applicants, enabling the choice of the top quality and the most qualified labour force on the market, of a productive labour force with sufficient experience, whereby the advantage is gained over the competition which is the goal of any profitable organization. Some activities imply global recruitment of staff for certain skills as well as for the top staff, such as telecommunications, IT sectors and similar.

LIVING COSTS

Living costs are also important determinant for the level of pay because it happens that prices increase in time while the amount of pay remains the same. Then the real pay is actually decreased, causing dissatisfaction of the workers whereat it is necessary to, within the salary, calculate also the raise at the level of estimated inflation, which some companies recognized as a problem and since a long time they are conducting the policy taking care of this problem.

JUSTNESS IN FINANCIAL COMPENSATION

Organizations should attract, motivate and keep the competent workers. Due to the fact that a company's financial compensation system plays an important role in achieving the goals, the organizations struggle that it is as fair as possible. Justness, in the context of financial compensation, means paying properly for the work of the employees. We differentiate two types of justness: external and internal, and they both hold equal importance. The external justness exists in the case when workers of a company receive the salary that can be compared with the salaries of workers in the competitive firms, working on the same or similar positions. The

internal justness occurred in cases when workers receive the salary based on the relative value of their job within the organization. The job estimate is the main factor for determining the internal justness, for example: “W.Wayat’s estimate comprising 13.000 American workers has shown that most of the examinees have been dissatisfied with their compensations, and with both external (59%) and internal justness (52%) [5]. Unjust in any category can cause the emergence of moral problems. If workers feel that the compensation for their work is unfair, they could decide to leave the company. Even greater damage to the firm occurs if the workers choose an option to stay in the firm but they limit their work, effort and standing up for. Due to all of the mentioned, at determining the level of financial compensation one should be very careful and take the justness into account as a highly important factor during overestimation, in order to act preventively on the possible negative occurrences that could emerge.

3. ESTIMATING FINANCIAL COMPENSATION LEVEL

There are several ways for performing an estimate of the financial compensation levels in a company. In this paper we will focus on two most important and most frequently used ways, that many companies apply in combination.

SPECIALIZED EXPERT ORGANIZATIONS FOR ESTIMATING FINANCIAL COMPENSATION LEVELS.

One of the ways of obtaining data related to the compensation levels for certain types of jobs on the market represent public reports of certain specialized expert organizations. Examples of such organizations in the USA are WorldatWork and Association for human resource management of the USA. It is about the eminent organizations performing periodical estimates of different job categories, thus creating public reports with results of their work. Some industrial associations do the similar, and also the consulting companies such as Hewett Associates, Towers Perrin, Hay&Associates and MHRC, as well as "USA office for Business Statistics estimating the following four important categories [6]: estimate of compensations on national level, benefits of workers in small private companies, benefits of workers in middle-size and large private companies and benefits of workers in state and local bodies of authority. The estimate of compensations on the national level, managed by the Office, contains information on salaries and compensations for over 700 professionally qualified occupations. The purpose of these estimates represents the attempt to answer common questions of workers, such as: what is the level of average salaries for same or similar job in other companies, what kind of benefits and health insurance do employed in other companies have, etc” [7]. However, all of the mentioned analyses apply for customary jobs. For specialized fields, non-traditional ways of determining compensations are used, taking into account that it is about specific knowledge and skills and thus possession of a rare talent necessary for performing such jobs.

ALTERNATE WAYS OF ESTIMATING THE FINANCIAL COMPENSATION LEVELS IN OTHER COMPANIES

There are other ways for obtaining data related to the compensation levels for certain types of jobs on the market. Wise companies have in their structure special organizational units, the basic task of which is collecting relevant information, running statistics and analysis, and estimating the compensations in other companies and especially of the competitive ones. Besides, the estimates can be collected by some specialized agency of insider as well. Such types of information can be very efficiently used for the purpose of recruiting experienced, qualified and quality staff of the competitors’ company, including the top management staff. Therewith two significant goals are achieved, the own personnel resources are strengthened and at the same time the competition is weekend. Additionally, the knowledge on competition is enriched as well through the insider information of the newly-employed staff related to business but also the organizational, social and other different particularities of direct competition.

4. CEO COMPENSATION ELEMENTS

Creating the compensation package for executive managers starts by determining the organization’s goals and the time necessary for their realization. The executive package depends on the amount of responsibility and thus the risk and effort taken on by the executive manager [8]. For managers of lower level, critical factors at determination of the compensation are: market estimates, internal salary ratio and individual work. The focus is on the expected results rather than on the tasks or how the job is done. The executive management compensation mostly contains 5 basic elements of compensation: basic salary, short-term (annual) incentives and bonuses,

long-term incentives, benefits of a worker and supplements [9]. Basic salary represents the basis of the compensation, creates safety and the guaranteed income for the manager and it is also used as the benchmark for determining other forms of compensation such as bonuses and other benefits. Short-term incentives or bonuses show the managerial belief in their own impetus value. The popularity of this component of compensation has abruptly increased within the last years and today 90% of executive managers get bonuses [10]. Long-term incentives and main estimation is made of the option of shares, in form of the delayed compensation, however, in time of downfall of share value on the market, having an occurrences that the market value of a large number of shares is significantly below their real value, this form of compensation is not popular as much [11]. The option of shares of a company represents a long-term stimulus created to provide the compatibility of the management interest, i.e. of the management with the interests of the organization, i.e. the company's owner and the owner of the shares, and it is about' possibility of the management of the company buying certain number of the company's shares at extremely favourable conditions. This option often implies that a certain number of shares of the company where the management works in belongs to the management for free, within the predicted pay package for them. In order to ensure the compatibility, some managerial and supervisory committees of a company explicitly demand from the executive management that they possess certain amount, i.e. value of the shares of the company they work in. However it has proven that it is not enough to provide compatibility of interests of the mentioned categories. Otherwise, the shares option provides the manager with a possibility of purchasing certain amounts of shares below their market value. Nevertheless, real superstars among CEO managers can realize great incomes if the shares surpass the index of their company. GOLDEN PARACHUTES represent the clauses in the contracts metered into by the executive managers and the companies they work in and which protect them in case the other company takes their company over or in case when the executive manager is forced to live the company beyond his will. Usually the golden parachutes imply the package at the level of several annual salaries and bonuses, as well as the prompted allocation of the share options of the company. We have already been in the occasions from various media affairs to assure ourselves that many domestic CEO Managers in large domestic companies with majority state capital hugely use (misuse) the western invention. Similar situations happen in the surrounding countries as well. SERP is traditionally a version of certain plan of pension benefits.

5. THE TREND OF INCREASED GROWTH RATE OF CEO COMPENSATIONS

During the last ten or more years we could perceive that the growth of compensations for the top executives of companies' (CEO) was very fast and very high. One research of a chosen transparently managed corporation has shown that the total pay package, i.e. income, of the chief executives has increased by 537% during the nineties. Statistics conducted from a renowned agency STANDARD & POORS 500 (includes 500 of the largest corporate companies, mainly headquartered in the USA) shows that the income of the top executives has increased by 297% for the same period, showing the tendency and not an isolated case. Therewith, the workers salary in the mentioned period has increased only by 32% [12]. It is obvious and clear disbalance between the compensations of common workers and the highest management staff, to the advantage of the latter. A question is posed: Why is it so, i.e. what is the reason causing this incidence?

Even though their pay packages have been decreased during 2002, an average CEO (executive manager) annual income amounted to 7,4 million dollars (\$) [13]. besides, the CEO corporations in the framework of their pay package very often get the ownership over the company's shares, in determined value (usually in question are enormous amounts exceeding by several ten times the value of their annual salaries), even when they do not do their job well and lead their companies into loss, i.e. making highly profitable companies into great losers and thus decrease their value of downturn the value of their share on the free market. yet, the successful careers of such executives doesn't end there, because just as such CEO managers afterwards as a rule find even better jobs in the renowned companies with even greater (astronomic) salaries and thus the logical question is posed: How can it be?!

6. CONCLUSION

Why do large companies decide on giving their executive managers enormously high salaries, and even the ownership over the company's shares within the pay package/ In that way the companies want to keep the executive managers in their structure, stimulate them additionally, and apart from it, they accomplish some marketing points as well on their own behalf, like the increased attractiveness of their shares and the position of CEO's of their company, and they also enhance the share market itself. If we take into account the information that in 1980 only every 14th CEO in some of 850 greatest global companies has passed form one company to he other at the appropriate position, and that in 1996 the number increased and included every 3rd CEO [14], we can

perceive the more real picture of this process. Further, long standing marketing and praises on the account of own capabilities have brought to significant growth of pays and other compensations of the top executives, unlike those of common workers and shareholders that have not been dealing with this type of aggressive propaganda. Today, the mood towards the top managers has significantly changed after numerous scandals and market losses realized due to bad management over corporations. However, the cunningness of executive managers is in effect again, this time through a different aspect of marketing. Executive managers have wittily evaluated such trend of public opinion so that many of them have more quickly and better hurried to decrease their salaries themselves, and some of them even do the voluntary job in order to gain marketing points again and win over for themselves the liking of the broadest public. In that way they have prevented creation of negative image in public and at the same time showed a new level of decency and moral principles knowing that they must justify their high compensations for many years, which has again brought them marketing benefit. Lately, this tendency, as expected, has spread from the area of the USA to Europe as well.

REFERENCES

- [1] Schrage, M.: „Cafeteria Benefits? Ha! You Deserve a Richer Banquet“, *Fortune*, April 3, 2000: D.8.
- [2] Hubler, L.: „9 to 5: Taking Charge in a New Leadership Role“, *Women in Business* 53, September 1, 2001: 32.
- [3] Williams, W.: „Congress' Insidious Discrimination“, *Augusta Constitution*, March 14, 2003: A05.
- [4] Vance, S. D.: „Trying to Give Private Sector Employees a Break: Congress's Efforts to Amend the Fair Labor Standards Act“, *Hofstra Labor & Employment Law Journal* 19, Spring 2002: 311 – 49.
- [5] Krell, E.: „Recruiting Outlook: Creative HR for 2003“, *Workforce* 81, December 1, 2002: 40.
- [6] Martocchio, J. J.: *Strategic Compensation* (Upper Saddle River, NJ: Prentice Hall, 2001): 174 – 175.
<http://www.worldatwork.org/home/generic/html/namechange.html>, July 30, 2000.
- [7] Wiatrowski, W.: „A Formidable New Compensation Tool: Bureau of Labor Statistics' New National Compensation Survey“, *Compensation & Benefits Review* 30, September/October 1998: 29.
- [8] Cordeiro, J. J. & Veliyath, R.: „Beyond Pay for Performance: A Panel Study of the Determinants of CEO Compensation“, *American Business Review*, January 1, 2003: 56.
- [9] Milkovich and Newman, *Compensation*, 498.
- [10] *Ibid.*, 500.
- [11] Delves, D.: „Stock Options: Overused and Underwater“, *Workforce*, January 1, 2003: 50.
- [12] „Investors' Wrath: Use It to Clean Up Boardrooms“, *Minneapolis Star Tribune*, June 17, 2002: 10A.
- [13] Lavelle, L.; Jespersen, F. F.; Ante, S. & Kerstetter, J.: „Executive Pay: The Days of the Fantasyland CEO Pay Package Appear to Be in the Past. A 33% Decline in Compensation Has Returned America's Bosses to the Year 1996“, *BusinessWeek*, April 21, 2003: 86.
- [14] Epstein, G.: „Economic Beat: Charm Offensive“, *Barron's*, October 14, 2002: 36.

ORGANIZATION OF PROCUREMENT PROCESS IN MODERN ENTERPRISES

Saša Kovačević¹, Sinka Tošović-Spahalić², Vitomir Mrgud³

¹ Communications Regulatory Agency (CRA) of Bosnia-Herzegovina, Sarajevo,
BOSNIA AND HERZEGOVINA, e-mail: skovacevic@rak.ba

² IN TRADE FARM d.o.o, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: sinka@intrade.co.ba

³ Republic Administration for Inspection Activities, Republic of Srpska, Banja Luka,
BOSNIA AND HERZEGOVINA, e-mail: mrgud.v@teol.net

Summary: *The aim of the authors of this paper is that in the simplest way to view all elements of the procurement process, which should contain, as well as to provide guidelines that would create and run a procurement process to facilitate and simplify. In this regard, it is necessary to first define all the activities in the procurement process, their flow, and the responsibilities and powers of individual persons / functions involved in the procurement process. The authors recommend that a defined process in their work used by all employees of the company that participate in the implementation of procurement and verification of products purchased. Procurement process in any enterprise, whether it is a small, medium or large enterprise in terms of size and private, national or social in terms of ownership, is still quite complex and complicated process involving many elements and that it is necessary to make transparent the compliance with applicable legal standards. That's why we are in this work focused on all the basic elements of a modern procurement process should include leading companies from creating a document "Procurement Plan" as an important document in the initial procurement process, through the description of the document list of approved suppliers "that any serious and modern enterprise should possess, as well as criteria for the verification of the said list, and to create the document request for proposal "and finally realization and verification of the procurement and completion of the procurement process.*

Keywords: *Procurement, procurement plan, request for proposal, vendor.*

1. INTRODUCTION

The aim of the authors of this paper is that in the simplest way to show the procurement process should look like, and then to present and clarify all the elements of the procurement process should contain, as well as to provide guidelines that would greatly facilitate and assist in the creation and execution of procurement for each particular enterprise. In this regard, it is necessary to first define all the activities in the procurement process, their flow, and the responsibilities and powers of individual persons / functions involved in the procurement process. The authors recommend that a defined process in their work used by all employees of the company that participate in the implementation of procurement and verification of products purchased. The authors also suggest that the activities defined in the procurement process must implement the orders whose total value exceeds the amount of EUR 250 for materials, equipment and / or spare parts that directly affect the quality of finished products company, which is particularly desirable to provide the appropriate internal document firms (eg in the document "List of approved suppliers") [1]. We will define some basic concepts that we will use in the following work:

- Product - a result of the production process,
- Customer - person or organization that receives the final product [2] and [3],
- Provider - person or organization who supply the finished product [2] and [3],
- Specification - a document that contains requirements.

2. ORGANIZATION OF PROCUREMENT PROCESS

Optimal procedure for the procurement process means that managers of organizational units fill an internal document, "Procurement Plan", and to then provide the appropriate service manager (eg Department for sales and marketing) [1]. Usually there are two types of procurement plans, which are:

- Regular program of procurement and
- Extraordinary procurement plan for ongoing projects.

Usually the regular procurement plan is done annually on the basis of evaluation of managers of organizational units of the needs for materials, equipment and / or spare parts in their organizational units. Based on internal documents 'Procurement Plan' and 'Plan of realization of orders for production', which the Service Manager for sales and marketing also need to fill and over, and then submit the director of the company for confirmation, purchase requisition is made. In the event that the director of the company disagrees with the content of the document "Procurement Plan", the document is returned to the Service manager for sales and marketing for refinement or a new creation. If you need to specify detailed information on materials, equipment and / or spare parts which are the subject of procurement managers of organizational units are usually filled by an adequate internal document (eg, "Information for the acquisition") and delivered by the master manager and Service Manager Sales and marketing [1].

THE APPROVED LIST OF SUPPLIERS

In modern companies, there often is "list of approved suppliers", which form a supplier evaluation process. The procedure and method of evaluation and selection of suppliers should be based on the following criteria:

- Quality,
 - a) Quality of previous deliveries, if applicable,
 - b) The degree of development of quality management system suppliers,
 - c) Ability to meet special requirements regarding the quality of the suppliers.
- Price,
- Delivery deadline and capacity,
- Payment conditions
- Warranty period and post-warranty period.

Criteria, which we have just defined, should be used:

- When creating the document 'list of approved suppliers'
- When analyzing the suitability of new suppliers who are not in the document 'list of approved suppliers'
- During periodic evaluation of suppliers (recommendation - at least once a year)
- When periodic review criteria is related to the evaluation and selection of suppliers.

For the evaluation of suppliers, making documents 'list of approved suppliers' and periodic review of the document is usually the Service Manager responsible for sales and marketing, while approving the document made director of the company [4]. The procedure of procurement of materials, equipment and / or spare parts from suppliers that are in the document 'list of approved suppliers' should consist of the following, namely assistant for procurement and sales order form to send a vendor who is first on the list of suppliers for this group of materials, equipment and / or spare parts. In the event that the supplier can not meet specified requirements, associate procurement and sales to send a purchase order with the next ranking vendor lists, etc. The basis for making an order are usually the next documents:

- Approved 'Plan of realization of orders for production',
- Approved "Plans of procurement",
- 'Information for the acquisition'.

REQUEST FOR BID

The procedure for procurement of materials, equipment and / or spare parts from suppliers who are not in the internal document 'list of approved suppliers' takes place in another way, by first making the document "request for proposal", which is usually in charge of Associate purchase and sale. Basis for drafting the document request for proposal "materials usually are the next [5]:

- Approved 'Plan of realization of orders for production',
- Approved "procurement plan - BS telecom"
- "Procurement information"
- Information on potential suppliers who can deliver the required product.

The document "request for proposal" should include the following information [6]:

- Reference data - the number, date, signature of authorized person and company stamp companies (in case of a company with the ex-Yu area, because the foreign firms are typically not used as a means to seal over the document)
- Complete and adequate specified requirements for a product that is the subject of procurement,

- Requests for delivery times, terms of payment, the deadline for submission of bids, and other information that are considered to be necessary to define, before the communication of potential suppliers.

After creation, the document "request for proposal" to verify it is necessary to become an official document of the company and it is usually authorized and the Service Manager responsible for sales and marketing, who with his signature and seal of the company confirms the accuracy and completeness of the information specified in the document, "Requirement to offer. " Thus the document verified 'request for proposal' assistant for the purchase and sale submitted to potential suppliers. Incoming bids are usually submitted to the Sector Manager for sales and marketing, who made their landing by keeping all bids and implementation of activities related to the procurement process [7]. Director of Sales and Marketing and / or director of the company, after receiving all bids, conducted an analysis of the submitted bids in order to determine completeness and compliance with bid requirements specified in the document "request for proposal. Any deficiencies and / or non-compliance with the requirements of the bid arrived specified in the document "request for proposal, the Service Manager Sales and Marketing resolve a potential supplier prior to the execution of evaluation and selection of suppliers. All offers arrived from potential suppliers should be evaluated and that evaluation is usually done based on the following criteria:

- Quality,
- Price,
- Delivery deadline,
- Payment conditions,
- Previous experiences.

The criteria depend on the impact of purchased products to the next phase of implementation of the product or the finished product. For the performance evaluation of activities and selection of suppliers offer the most responsible director of the company and / or Director of Sales and Marketing. Director of the company, with his signature, confirms its decision on choosing the best bid and purchase products from the supplier with best bid. The activities of the bid evaluation and selection of suppliers is necessary to maintain records, which should be kept in a folder deals with suppliers [8].

REALIZATION AND VERIFICATION OF SUPPLY

Implementation of the procurement is usually carried out contributor to the purchase and sale, which is responsible for conducting procurement in accordance with applicable laws and regulations. After the delivery of products by suppliers, a company needs to make the verification of purchased products to ensure that purchased product meets specified requirements for procurement and / or requirements specified in the documents for the purchase (order, contract). Verification of purchased products, quality usually is done Commission for receipt of purchased products, if any, and its decision shall be appointed by the director of the company, while receiving the product performs quantitative stocked. Verification of purchased product can be made on the premises of the company that purchases, as well as the premises of suppliers when it is regulated for the purchase documents (order, contract). Commission for receiving purchased products at the end of quantitative and qualitative inspection (control) purchased the product should make the log in which records the results of verification of purchased products. Minutes of Verification purchased the product (quantitative and qualitative inspection), verified signature of the President of the Commission for receipt of purchased product shall be delivered to the Service manager for sales and marketing, which it is stored and preserved. In case of quantitative and / or qualitative inspection (control) purchased determines that the product is not obtained in compliance with the requirements specified in the documents for the purchase (order, contract), the Commission for receipt of purchased product should make the record of non-compliance of products purchased, which then should provide the Service Manager for sales and marketing. Products for which the discrepancy is determined, stocked in an appropriate way to refer to and when applicable, physically separated neuskładene products matched products to the resolution of complaints. Service Manager Sales and Marketing, based on the record on non-compliance issued by the supplier documented claim for products for which non-compliance with established requirements. If the supplier proposes a solution to a complaint by a company that made the purchase gave the approval for withdrawal the shipments of specified requirements, the Service Manager for sales and marketing would be of such a proposal should notify the Director of the company. After that, the director of the company would be based on the nature and significance of identified non-compliance issued a decision on approval (or denial) approval for deviation, and how to inform the Service Manager for sales and marketing and he would then inform the authorized representatives of suppliers. In the case received approval for a deviation, Head of Service for sales and marketing on how to notify the warehouse, which then need to remove the label of non-compliance with the purchased products and to let the product obtained in the next phase of implementation [9]. In case the vendor decides to repair or resolve the complaint finishing products, Service Manager for sales and marketing activities necessary to perform forwarding (return) inconsistent product vendor. For the case when a supplier decides to resolve the complaint substitution of (new delivery) unfitting products, Service Manager Sales and Marketing must conduct activities related to the return of inconsistent product vendor. Re-supplied products (replaced by products) must be verified that (quantitative and qualitative inspection). If the processing or repair

of inconsistent product to be carried out in areas that the company procures, Head of Service for sales and marketing should be carried out activities necessary for ensuring access to authorized persons suppliers asynchronous products. Products that have made finishing or repair required to be verified again (to be carried out quantitative and qualitative inspection) [10].

3. CONCLUSION

Procurement process in any enterprise, whether it is a small, medium or large enterprise in terms of size and private, national or social in terms of ownership, is still quite complex and complicated process involving many elements and that it is necessary to make transparent the compliance with applicable legal standards. Since it is impossible realistically define the perfect procurement procedure which would suit the needs and characteristics of companies, each company individually provides optimum internal procurement procedures tailored to their needs, which is in accordance with the applicable technical, organizational, financial and legal possibilities. To determine the optimal procurement procedure is necessary to make detailed analysis and description of the need for each job position and organizational unit individually. That's why we are in this work focused on all the basic elements of a modern procurement process should include leading companies from creating a document "Procurement Plan" as an important document in the initial procurement process, through the description of the document list of approved suppliers "that any serious and modern enterprise should possess, as well as criteria for the verification of the said list, and to create the document request for proposal "and finally realization and verification of the procurement and completion of the procurement process. We hope that we managed to fulfill our goal and that in the simplest way to show that elements of the procurement process should contain, and to give guidelines that would create and run a procurement process significantly easier and simplified.

REFERENCES

- [1] Turudić, L. & Kovačević, S.: Procedura za nabavku BST-PR-7.4/01. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [2] Technical Committee ISO/TC 176 & Subcommittee SC 2 in collaboration with CEN Management Centre, (CMC): EN ISO 9001:2000 Quality management systems - Requirements. Approved by European Committee for Standardization (CEN) as a European Standard EN ISO 9001:2000, the third edition, 2000.
- [3] Technical Committee BAS/TC 3: BAS EN ISO 9001:2001. The standard BAS EN ISO 9001:2001 is a translation of the European Standard EN ISO 9001:2000 – English version and has the status of a Bosnia and Herzegovina, Approved by director of BASMP (Ref. doc. OS-075/01), the second edition, December 2001.
- [4] Turudić, L. & Kovačević, S.: Procedura za kontrolu dokumenata BST-PR-4.2.3/01. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [5] Turudić, L. & Kovačević, S.: Manual for creation, distribution and revision of QMS procedures and manuals BST-UP-4.2.3/01. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [6] Turudić, L. & Kovačević, S.: Manual for format, content and identification of QMS procedures and manuals BST-UP-4.2.3/02. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [7] Turudić, L. & Kovačević, S.: Uputstvo za uredsko poslovanje BST-UP-4.2.3/03. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [8] Turudić, L. & Kovačević, S.: Procedure for control of records BST-PR-4.2.4/02. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [9] Turudić, L. & Kovačević, S.: Uputstvo za skladišno poslovanje BST-UP-7.5.5/01. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.
- [10] Turudić, L. & Kovačević, S.: Procedura za pripremu i kontrolu procesa realizacije proizvoda i usluga BST PR-7.5.1/01. Sarajevo, Bosnia and Herzegovina, BS telecom d.o.o., November 2005.

TECHNOLOGY AS A PART OF NEW PRODUCTION ENVIRONMENT

Dženan Kulović¹, Rifet Đogić²

University in Zenica, Faculty of Economy, Zenica, BOSNIA AND HERZEGOVINA,

¹ e-mail: dzenan.kulovic@ef.unze.ba, ¹ rifetd@yahoo.com

Summary: *Accurately assessing the environment is a difficult, if not impossible, task. From one point of view, an organization's environment is an objective reality set of concrete conditions that theoretically could be measured perfectly to give operations managers complete information. Yet, from a practical point of view, operations managers are more likely to take action on the environment as they see into. Thus, the environment may be more realistically thought of as a subjective reality, existing in the minds of operations managers. Since operations managers are likely to act on their own perceptions, they need to verify those perceptions, if possible, through alternative sources of information (perhaps the opinions of others, as well as objective data). In analyzing the environmental situation faced by an organization, it is useful to consider two key concepts: environmental uncertainty and environmental munificence, or capacity. Although the main focus is on the task environment, relevant trends in the mega environment should also be considered.*

Key words: *environment, technology, complexity, dynamism, chaining.*

1. INTRODUCTION

Environmental uncertainty is a condition in which future environmental circumstances affecting an organization cannot be accurately assessed and predicted. The more uncertain an organization's environment, the more time and effort managers must expend monitoring it, assessing the implications for the organization and deciding what present and future actions to take. The degree of environmental uncertainty is a function of two major factors, complexity and dynamism.

The term **environmental complexity** refers to the number of elements in an organization's environment and their degree of similarity. Environments in which there are a relatively small number of similar items are said to be *homogeneous*. In contrast, environments in which there are a large number of dissimilar items are considered to be *heterogeneous*. As the elements in the environment become more heterogeneous, managers have more variables with which they must contend.

The term **environmental dynamism** refers to the rate and predictability of change in the elements of an organization's environment. Environments in which the rate of change is slow and relatively predictable are considered to be *stable*. Conversely, environments in which the rate of change is fast and relatively unpredictable are said to be *unstable*. As elements in the environment become more unstable, they present greater challenges to managers.

The concepts of complexity and dynamism can be used to make an overall assessment of the degree of environmental uncertainty. Such an assessment can be done by analyzing the important elements in the task environment and the major potential influences in the mega environment (see Table 1.). As cell 1 in Table 1. suggests, uncertainty is relatively low when both dynamism and complexity are low. Such a situation is likely to prevail in the case of the funeral industry, in which there is slow change and a relatively steady stream of customers with similar needs. In cell 2, dynamism is low but complexity is high, creating a situation of moderately low uncertainty. An example of this type of situation is the insurance industry, in which companies serve a diverse set of customer needs but competitive elements change fairly slowly. In cell 3, dynamism is high but complexity is low, leading to moderately high uncertainty. This situation is characteristic of the women's apparel industry, in which the customers and retailers constitute fairly homogeneous market segments but fashion trends change rapidly. Finally, cell 4 represents both high dynamism and high complexity, resulting in a condition of high uncertainty. High environmental uncertainty is currently found in the computer software

industry, in which conditions change rapidly and a large number of environmental factors (such as technological change, vast numbers of diverse customers, and strenuous competition) exert strong heterogeneous pressures. Conditions of uncertainty may change over a period of time. For example, an environment that is relatively homogeneous and stable at one point can change (perhaps gradually) to a condition of greater uncertainty. As a result, managers need to make periodic reassessments of their situations.

Table 1: Assessing the degree of environmental uncertainty [1]

ENVIRONMENTAL DYNAMISM	STABLE	LOW UNCERTAINTY	MODERATELY LOW UNCERTAINTY
		1. Small number of similar external elements 2. Elements stay the same or change slowly <i>Example: Funeral Homes</i> Cell 1	1. Large number of dissimilar external elements 2. Elements stay the same or change slowly <i>Example: Insurance Companies</i> Cell 2
	UNSTABLE	MODERATELY HIGH UNCERTAINTY	HIGH UNCERTAINTY
		1. Small number of similar external elements 2. Elements change rapidly and unpredictably <i>Example: Women's Apparel</i> Cell 3	1. Large number of dissimilar external elements 2. Elements change rapidly and unpredictably <i>Example: Software Companies</i> Cell 4
		HOMOGENEOUS	HETEROGENEOUS
ENVIRONMENTAL COMPLEXITY			

2. TYPES OF ENVIRONMENT

System theory helps highlight the importance of the environment to organizations. According to the system view, an organization is likely to be more successful if it operates as an open system that continually interacts with and receives feedback for environment. Operation management differentiates three basic types of environment:

- internal environment,
- task environment and
- general environment.

The organization's environment can be conceptualized as having three layers: internal, task and general environments, as illustrated in Figure 1.

2.1. INTERNAL ENVIRONMENT

The internal environment within which managers work includes corporate culture, production technology, organization structure, and physical facilities. Of these, corporate culture has surfaced as extremely important to competitive advantage. The internal culture must fit the needs of the external environment and company strategy. When this fit occurs, highly committed employees create a high-performance organization that is tough to beat. Culture can be defined as the set of key values, beliefs, understandings, and norms shared by members of an organization. The concept of culture helps managers understand the hidden, complex aspects of organizational life. Culture is a pattern of shared values and assumptions about how things are done within the organization [3].

2.2. TASK ENVIRONMENT

The task environment includes those sectors that have a direct working relationship with the organization, among them customers, competitors, suppliers and the labor market.

Customers. Those people and organizations in the environment who acquire goods or services from the organization are **customers**. They are important because they determine the organization's success.

Competitors. Other organizations in the same industry or type of business that provide goods or services to the same set of customers are referred to as **competitors**. Each industry is characterized by specific competitive issues. UPS and FedEx are fighting the overnight delivery wars.

Suppliers. The raw materials the organization uses to produce its output are provided by **suppliers**. A steel mill requires iron ore, machines, and financial resources. A small, private university may utilize hundreds of suppliers for paper, pencils, cafeteria food, computers, trucks, fuel, electricity and text-books.

Labor market. The **labor market** represents people in the environment who can be hired to work for the organization. Every organization needs a supply of trained, qualified personnel.

2.3. GENERAL ENVIRONMENT

The general environment represents the outer layer of the environment. These dimensions influence the organization over time but often are not involved in day-to-day transactions with it. The dimensions of the general environment include international, technological, sociocultural, economic, and legal-political.

2.3.1. INTERNATIONAL ENVIRONMENT

The international dimension of the external environment represents events originating in foreign countries as well as opportunities for domestic companies in other countries. The international dimension represents a context that influences all other aspects of the external environment. The international environment provides new competitors, customers, and suppliers and shapes social, technological, and economic trends, as well.

When operating globally, managers have to consider legal, political, sociocultural, and economic factors not only in their home country but in various other countries as well. For example, a drop in the US dollar's foreign exchange rate lowers the price of US products overseas, increasing export competitiveness.

Many companies have had to cut prices to remain competitive in the new global economy.

The global environment represents an ever-changing and uneven playing field compared with the domestic environment. Changes in the international domain can abruptly turn the domestic environment upside.

2.3.2. POLITICAL ENVIRONMENT

The political environment consists of government rules and regulations that apply to organizations. The very words rules and regulations often make managers uneasy and resentful. No one likes being regulated. The number and variety of government regulations affecting business are huge.

The business support programs can be divided into classifications such as subsidies, promotion, contracts, and research. Subsidy once meant directing the flow of resources to preferred users (for example, to stimulate agriculture and commerce). Today a subsidy involves the flow of money to politically determined business activities. The government is actively involved in promoting business through such devices as protecting home industries from foreign competition. The promotion effort has involved placing tariffs on imports and also supporting small business owners through the Small Business Administration.

2.3.3. ECONOMIC ENVIRONMENT

The economic dimension represents the general economic health of the country or region in which the organization operates. Consumer purchasing power, the unemployment rate, and interest rates are part of an organization's economic environment. Because organizations today are operating in a global environment, the economic dimension has become exceedingly complex and creates even more uncertainty for managers.

2.3.4. SOCIOCULTURAL ENVIRONMENT

The sociocultural dimension of the general environment represents the demographic characteristics as well as the norms, customs, and values of the general population. Important sociocultural characteristics are geographical distribution and population density, age, and education levels. Today's demographic profiles are the foundation of tomorrow's workforce and consumers. Forecasters see increased globalization of both consumer markets and the labor supply, with increasing diversity both within organizations and consumer markets.

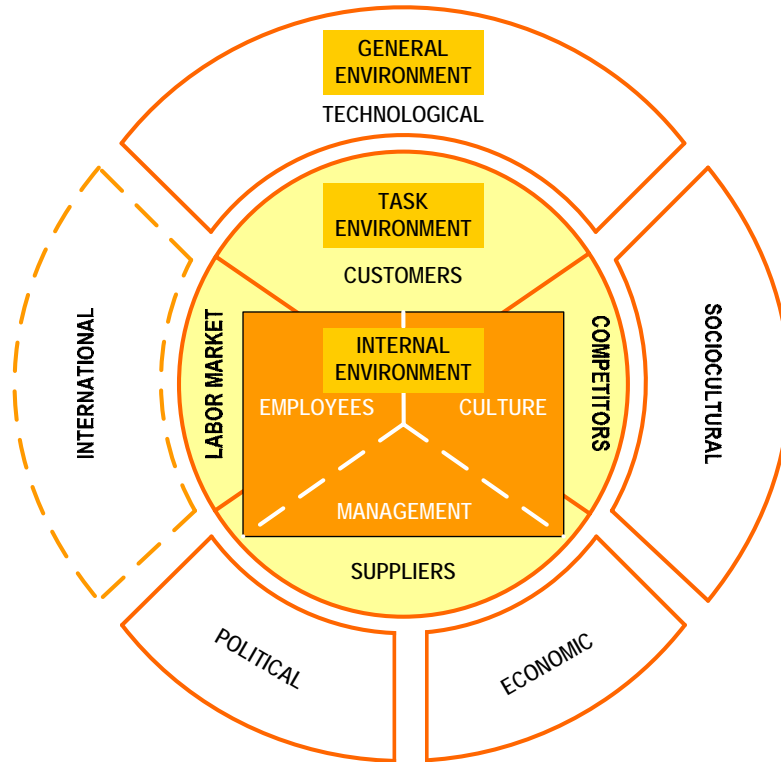


Figure 1: Location of the Organization's Internal Task and General Environments [3]

3. TECHNOLOGY AS A PART OF NEW PRODUCTION ENVIRONMENT

3.1. TECHNOLOGICAL ELEMENT

The **technological element** reflects the current state of knowledge regarding the production of products and services. Although specific organizations may have technical knowledge and patents that give them a competitive edge for some period of time, most organizations can be greatly affected, either positively or negatively, by technological progress.

In order to remain competitive, organizations must stay abreast of current technological developments that may affect their ability to offer desirable products and services. A number of sources provide information regarding technological and other environmental elements. Among them are major business periodicals, various trade journals targeted to specific industries, government publications, business services, and online services [1].

Change, newness, uncertainty-what do they mean for tomorrow's operations managers? Although making predictions can be viewed as an exercise in futility, evidence supports the idea that operations managers need to concern themselves with change. The key to success, if it can be narrowed down to one statement, is: Be prepared to make adjustments.

3.2. WHAT IS TECHNOLOGY?

Technology is any high-tech equipment, tool, or operating method designed to make work more efficient. Technological advances involve integrating technology with any process for changing inputs (raw materials) in to outputs (goods and services). In decades past, most processing operations were performed by human labor. Technology has made it possible to enhance most production processes by replacing human labor with sophisticated electronic and computer equipment. The use of technology goes far beyond application to mass-production manufacturing processes. Technology is making it possible to better serve customers in many industries. Technological advancements are also used to provide better, more useful information. Most cars built today, for example, have a built-in computer circuit that a technician can plug into to diagnose problems with the automobile-saving countless diagnostic hours for a mechanic. Many of these same automobiles have systems that permit the driver to map his or her location and receive accurate, on-the-spot directions to the driver's destination.

3.3. HOW DOES TECHNOLOGY CHANGE THE OPERATIONS MANAGER'S JOB?

Computer-aided design in the engineering department, or automated accounting systems, new technologies are changing the operations manager's job.

Although technology has had a positive effect on internal operations within organizations, how, specifically, has it changed the operations manager's job? To answer that question, we need only look at how the typical office is set up. Organizations today have become integrated communications centers. By linking computers, telephones, fax machines, copiers, printers, and the like, operations manager's can get more complete information more quickly than ever before. With that information, operations manager's can better formulate plans, make faster decisions, more clearly define the jobs that workers need to perform, and monitor work activities on an as-they-happen basis. In essence, technology today has enhanced operations manager's ability to perform their jobs.

Technology is also changing where a operations manager's work is performed. Historically in organizations, the operations manager's work site was located close to the operations site. As a result, employees were in close proximity to their bosses. An operations manager could observe how the work was being done, as well as easily communicate with employees face to face. Through the advent of technological advancements, operations managers are now able to supervise employees in remote locations. Face-to-face interaction has decreased dramatically. Work, for many, occurs where their computers are. Telecommuting capabilities-linkage of a remote worker's computer and modem with those of coworkers and management at an office-have made it possible for employees to be located anywhere in the global village. Communicating effectively with individuals in remote locations, and ensuring that their performance objectives are being met, are some of the operations manager's new challenges [4].

3.4. THE NEW ENVIRONMENT FOR MANUFACTURING

Manufacturing is therefore seen as the new competitive weapon and, as a result, manufacturing firms find themselves in a totally changed environment. This change is not confined to any one industry, and evidence of it can be seen in such varied industries as the automotive industry, consumer goods, electronics, and white goods. Management faced with rapid changes must devise new strategies to deal with the competitive nature of this new environment. The old strategy of mass production derived from notions of economies of scale is no longer seen as valid and is being discarded in favor of a strategy that facilitates flexibility, reduced design cycle time, reduced time to market for new products, and reduced order cycle time to the customer for existing products.

Some important characteristics of this new environment are:

- **Increased product diversity.** The market is no longer satisfied with a mass produced uniform product. Manufacturing firms must now compete by offering variety. The age of the personalized consumer product seems to be approaching rapidly. This represents a much changed situation from earlier in this century. The explosion of product variety is particularly evident in the automobile and computer industries. However, product variety dramatically increases the complexity of the tasks of process design and production management.
- **Greatly reduced product life cycles.** The life cycle of a product falls naturally into several phases. In simple terms, these are the design phase, the manufacturing phase, and the end-of-life phase.
- **Increased awareness and understanding of the environmental impact of manufacturing systems and their products.** The difficulty in today's manufacturing environment is that manufacturing can no longer look forward to many years of stable high demand. This is because product redesign is happening continuously, and a product's useful life in the marketplace is constantly under attack from improved versions incorporating the latest design features. Moreover, due to the pressures of competitiveness, firms must strive to get their products to the marketplace in ever shortening times. All of this means that manufacturing must put processes in place that are sufficiently flexible to accommodate new product designs rapidly without incurring large process introduction costs. Otherwise the costs incurred in the product design and process development phase will be too large to be recovered over the much shorter peak demand phase of the product life cycle. Public opinion is increasingly aware of the environmental impact of manufacturing processes and, indeed, the products of manufacturing. Legislation is increasingly constraining product and process design in terms of energy utilization, the required use of recyclable material and the reuse of products at the end of their life. Essentially, society is putting pressure on manufacturers to create products and to operate processes that are neutral with respect to the environment. Legislation in almost all parts of the industrialized world imposes severe constraints on manufacturers and requires, for example, that noxious substances not be emitted to the atmosphere or released into the water system. Increasingly, large multinational corporations, aware of the trend in legislation and, indeed, of the requirements of their customers are adapting an environmentally friendly approach to the design of their products and processes. More frequently one comes across references to "design for sustainable development." Companies seek to decrease the amount of materials and components in products without

sacrificing functionality, performance, or quality. The end result is fewer waste by-products. Manufacturers also seek to design products that can be disassembled easily (design for disassembly will soon be as important as design for assembly). This facilitates the separation of components from products at the end of life, and allows the possibility of the recovery and reuse of suitable materials. Design for disassembly also facilitates maintenance and mid-life refurbishment of products. In fact, it seems paradoxical that at a time when market forces and technological developments facilitate customized products and short production life cycles, there is at the same time pressure for extended product field life and, where possible, recycling of products and components at the product disposal stage.

- **Changing cost patterns.** Traditionally, manufacturing costs have fallen under three headings: material cost, labor cost, and overhead. Furthermore, labor hours were used in many industries as a base for recovering overhead. It can be argued that since integrated manufacturing systems will incorporate sophisticated data capture technology at each production stage, this consequently will facilitate the association of cost with individual items - whether components, subassemblies or finished products - at the point of time at which the cost is incurred. This, however, ignores the issue of how to value a machine hour in an environment of rapid technological and product change, where there is great difficulty in predicting the useful life of the machine and, equally importantly, the life cycle of the products that are processed on it. An alternative to the standard cost system, which seems to be finding increasing favor, is the Activity Based Costing (ABC) system. ABC, sometimes known as transaction based costing, seeks to allocate overhead to product in a manner that accurately reflects the amount of overhead consumed by the product. ABC identifies cost activities from the finished product down to the individual components within the product, and the processes and activities used to design, procure materials, manufacture, assemble, and so on, those components. Costs are tracked and assigned to where they actually occur. The ABC approach identifies the various activities that take place, traces costs to these activities, then uses cost drivers to trace the cost of activities to components and ultimately to the final product.

Great difficulty in estimating the costs and benefits of integration technology.

- **Changing social expectations.** An organization's *environment* is the set of conditions in the world outside the organization. This includes the competition and outside stakeholders, as well as political, economic, technological, and social conditions in the world beyond the organization's four walls. In recent years, these outside factors have begun to demand new attention and emphasis. Consider a few of the more significant changes [Adapted: 3].

4. CONCLUSION

The world as we know it is undergoing tremendous and far-reaching changes. These changes can be understood by defining and examining components of the external environment. The external organizational element includes all elements existing outside the boundary of the organization that have the potential to affect the organization. The environment includes competitors, resources, technology, and economic conditions that influence the organization. It does not include those events so far removed from the organization that their impact is not perceived. Discussions of competition tend to focus on the tremendous increase in global competition as the major change. There is no question that the field of competing nations has grown significantly in recent years thanks to technology. For most of this century competition in trading was primarily between the United States and European nations, with Japan entering the field in earnest in the 1970s. Ten years ago, the Pacific Rim countries - Taiwan, Hong Kong, Korea, Malaysia, and others-entered the competition. Now China appears ready to compete, with Brazil not far behind.

Technology change has occurred, however, not just in the number of competitors but also in the nature of the competition itself. Competition for customers has become much more adversarial. It is not the foreignness of competition alone that characterizes what Tom Peters has termed "the new competition"; it is the nature and intensity of that competition. No organization can take anything in its market for granted. Technology gives a lot of advantages:

- a new Korean competitor,
- an old Japanese competitor continuing to reduce costs and improve quality,
- a dozen domestic start-ups, each headed by talented people claiming a technology breakthrough,
- one old-line domestic competitor that has slashed overhead costs by 60 percent and is de-integrating via global sourcing as fast as it can,
- another old-line domestic competitor that has just... sold off the division that competes with you to another strong competitor with a great distribution system a competitor that has just introduced an electronics-based distribution system that wires it to each of its 2,500 principal distributors, slashing the time required to fill orders by 75 percent.

REFERENCES

- [1] Bartol, M.K. & Martin, D.C.: *Management*. Boston: McGraw Hill, 1998. pp. 80-90. ISBN 0-07-115206-7.
- [2] Brown, J., Harhen, J., Shivnan, J.: *Production Management Systems: An Integrated Perspective*. Harlow: Addison-Wesley Publishing Company, 1996. pp. 5-19, ISBN 0-201-42297-7.
- [3] Daft, R.L. & Marcic, D.: *Understanding Management*, Mason: Thomson South-Western, 2004. pp. 53-60, ISBN 0-324-25918-2.
- [4] Robbins, P.S. & DeCenzo, D.A.: *Supervision Today!*, Fifth Edition, New Jersey: Pearson Prentice Hall, 2007. pp. 28-35, ISBN 0-13-172609-9.

TRENDS IN ORGANIZATIONAL DESIGN

Spaso Kuzman¹, Rifet Đogić², Dženan Kulović¹

¹ Audit Services and Financial Management Consulting "Revžig" d.o.o., Zenica, BOSNIA AND HERZEGOVINA, e-mail: kuzmans@hotmail.com

^{2,3} University in Zenica, Faculty of Economy, Zenica, BOSNIA AND HERZEGOVINA, ² rifetd@yahoo.com, ³ e-mail: dzenan.kulovic@ef.unze.ba

Summary: *The organization process leads to the creation of organization structure, which defines how tasks are divided and resources deployed. To remain viable and competitive, both private and public sector organizations are experimenting with new organizational designs, defining formal business architectures, reengineering their processes, and transforming their corporate cultures as they seek to improve mission delivery, performance, and growth prospects. In the process, they are changing the scope of their business operations; redrawing their organizational boundaries; redefining decision-making authority and responsibility; revamping the mechanisms for motivating and rewarding people; reconsidering which functions to keep in-house and which to outsource; redesigning their information systems; and seeking to alter the shared beliefs, values and norms that their people hold. The increasing shift toward more horizontal versus vertical structures reflects the trend toward greater employee empowerment, broad information sharing, and decentralization decision making. Organizational design is the process of structuring an organization, division or department to optimize how it achieves its mission or supplies products and services to its clients and customers.*

Key words: *departmentalization, structure, design, process, change.*

1. INTRODUCTION

Organization design involves the creation of roles, processes, and formal reporting relationships in an organization. One can distinguish between two phases in an organization design process: Strategic grouping, which establishes the overall structure of the organization, (its main sub-units and their relationships), and operational design, which defines the more detailed roles and processes. The field is mainly practice-driven and many consulting firms offer organization design assistance to managers. However, there is also a substantial academic literature. It is important to distinguish between organization design and organization theory. The latter is a descriptive discipline, mainly focusing on describing and understanding organizational functioning. Organization design is (as the name suggests) a more normative, design-oriented discipline that aims to produce the frameworks and tools required creating effective organizations. [1]

Principles of organization design are:

1. Division of Labor:
 - a) Departmentalization.
 - b) Work specialization.
2. Chain of Command:
 - a) Line of command.
 - b) One superior.
3. Authority and Responsibility:
 - a) Line and staff authority.
 - b) Authority and power.
4. Spans of Control:

- a) Levels of control.
 - b) Centralization and decentralization.
5. Contingency Factors:
- a) Environment and technology.
 - b) Knowledge technology: task variability & problem analyzability.

Currently theorists seem to be talking of organizations as part of an ecosystem that is a network of organizations including, for example, suppliers, distributors, technology partners, service centre partners, and other stakeholders. Embedded in this ecosystem is another system, embedded in another system – much as the Russian dolls. The challenge is to sustain a dynamic, changing, evolving, self-organizing, self-entailing, adaptive ecosystem realizing that the health of one member of the ecosystem has an impact on the health of other members of it.

Technology is the enabler of ecosystem opportunity, integration, and new organizational forms. In organization as ecosystem thinking, the focus is less on core operations, and more on market and industry opportunity creation. This, in turn, shifts competitive strategy towards new forms of corporate leadership and structure. What this means for organization design in practice has yet to emerge but there are some threads and thoughts. This chapter presents some of the trends and predictions in organization design [2].

2. PRINCIPLES OF ORGANIZATION DESIGN

Organizing is arranging and structuring to accomplish the organization's goals. It is process through which managers design an organizational structure. The process is important and serves many purposes. The challenge for managers is to design an organizational structure that allows employees to effectively and efficiently do their work.

2.1. DIVISION OF LABOUR

Division of labor included:

- a) Departmentalization.
- b) Work specialization.

The basis by which jobs are grouped together is called **departmentalization**. Figure 1. shows the five common forms of departmentalization. **Functional departmentalization** groups jobs by functions performed. This approach can be used in all types of organizations, although the functions change to reflect the organization's purpose and work. **Product departmentalization** groups jobs by product line. **Geographical departmentalization** groups jobs on the basis of geographical region such as southern, mid western, or northwestern regions or maybe North American, European, Latin American, and Asian-Pacific regions. **Process departmentalization** groups jobs on the basis of product or customer flow. In this approach, work activities follow a natural processing flow of products or even of customers. Finally **customer departmentalization** groups jobs on the basis of specific and unique customers who have common needs or problems that can best be met by having specialists for each [3].

Work specialization, sometimes called division of labor, is the degree to which organizational tasks are subdivided into separate jobs. [4]

Today we use the term **work specialization** to describe dividing work activities in an organization into separate job tasks. The essence of work specialization is that an entire work activity is not done by one individual, but instead is broken down into tasks with each task completed by a different person. Individual employees "specialize" in doing part of an activity rather than the entire activity [5].

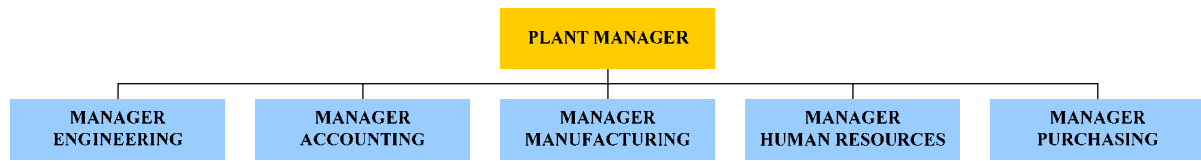
2.2. CHAIN OF COMMAND

The chain of command is an unbroken line of authority that links all persons in an organization and shows who reports to whom [6].

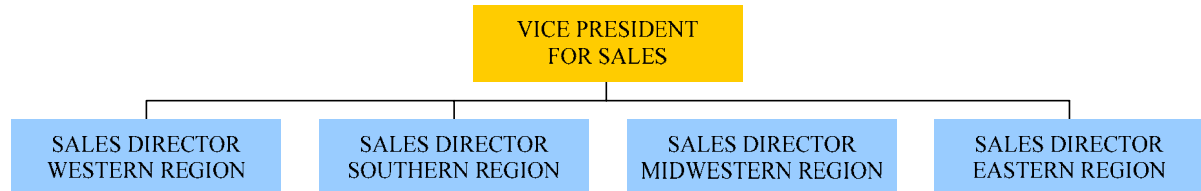
It helps employees answer questions such as "Who do I go to if I have a problem?" or "To whom am I responsible?" helps preserve the concept of a continuous line of authority. It states that a person should report to only one manager.

As managers assign work to employees, those employees assume an obligation to perform any assigned duties. This obligation or expectation to perform is known as responsibility [7].

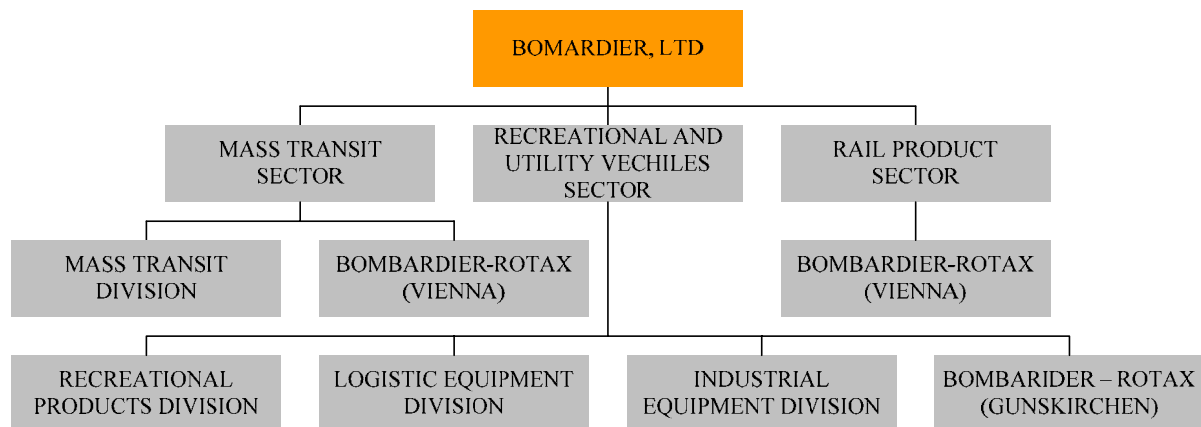
FUNCTIONAL DEPARTMENTALIZATION



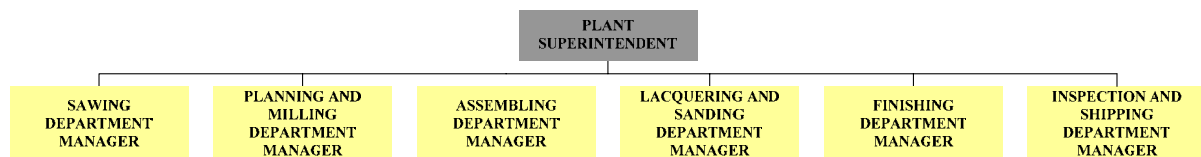
GEOGRAPHICAL DEPARTMENTALIZATION



PRODUCT DEPARTMENTALIZATION



PROCESS DEPARTMENTALIZATION



CUSTOMER DEPARTMENTALIZATION

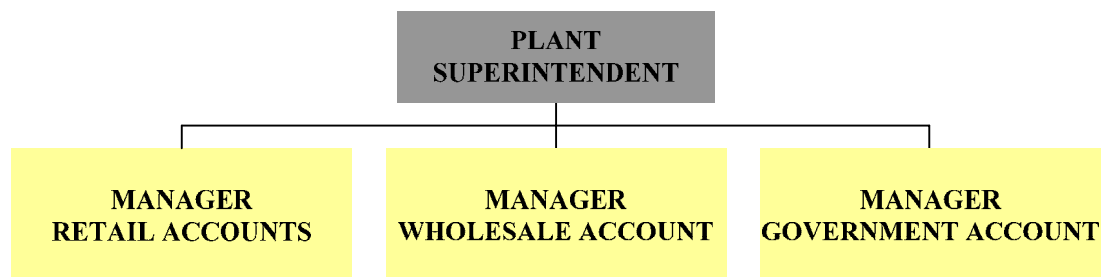


Figure 1: The Five Common Forms of Departmentalization [2]

2.3. AUTHORITY AND RESPONSIBILITY

Authority is seen as the legitimate right of a person to exercise influence or the legitimate right to make decisions, to carry out actions, and to direct others. For example, managers expect to have the authority to assign work, hire employees, or order merchandise and supplies.

As part of their structure, organizations have a formal authority system that depicts the authority relationships between people and their work. Different types of authority are found in this structure: line, staff, and functional authority. Line authority is represented by the chain of command; an individual positioned above another in the hierarchy has the right to make decisions, issue directives, and expect compliance from lower-level employees. Staff authority is advisory authority; it takes the form of counsel, advice, and recommendation. People with staff authority derive their power from their expert knowledge and the legitimacy established in their relationships with line managers. Functional authority allows managers to direct specific processes, practices, or policies affecting people in other departments; functional authority cuts across the hierarchical structure.

For example, the human resources department may create policies and procedures related to promoting and hiring employees throughout the entire organization. Authority can also be viewed as arising from interpersonal relationships rather than a formal hierarchy. Authority is sometimes equated with legitimate power. Authority and power and how these elements are interrelated can explain the elements of managing and their effectiveness. What is critical is how subordinates perceive a manager's legitimacy. Legitimate authority occurs when people use power for good and have acquired power by proper and honest means. When people perceive an attempt at influence as legitimate, they recognize it and willingly comply. Power acquired through improper means, such as lying, withholding information, gossip, or manipulation, is seen as illegitimate. When people perceive the authority of others as illegitimate, they are less likely to willingly comply.

Responsibility is the obligation to accomplish the goals related to the position and the organization. Managers, at no matter what level of the organization, typically have the same basic responsibilities when it comes to managing the work force: Direct employees toward objectives, oversee the work effort of employees, deal with immediate problems, and report on the progress of work to their superiors. Managers' primary responsibilities are to examine tasks, problems, or opportunities in relationship to the company's short-and long-range goals. They must be quick to identify areas of potential problems, continually search for solutions, and be alert to new opportunities and ways to take advantage of the best ones. How effectively goals and objectives are accomplished depends on how well the company goals are broken down into jobs and assignments and how well these are identified and communicated throughout the organization.

2.4. SPAN OF CONTROL

This question of span of control (also called: *span of management*) is important because, to a large degree, it determines the number of levels and managers an organization has. All things being equal, the wider or larger the span, the more efficient the organization. An example can show why. Traditional views of organizational design recommended a span of management of about seven subordinates per manager. [8]

Assume that we have two organizations, both of which have approximately 4,100 employees. As Figure 2. shows, if one organization has a uniform span of 4 and the other a span of 8, the wider span will have 2 fewer levels and approximately 800 fewer managers. If the average manager made \$42,000 a year, the organization with the wider span would save over \$33 million a year in management salaries alone!

Obviously, wider spans are more efficient in terms of cost. However, at some point, wider spans reduce effectiveness. When the span becomes too large, employee performance suffers because managers no longer have the time to provide the necessary leadership and support. [9]

2.5. CONTINGENCY FACTORS

The **technological element** reflects the current state of knowledge regarding the production of products and services. Although specific organizations may have technical knowledge and patents that give them a competitive edge for some period of time, most organizations can be greatly affected, either positively or negatively, by technological progress. System theory helps highlight the importance of the **environment** to organizations. According to the system view, an organization is likely to be more successful if it operates as an open system that continually interacts with and receives feedback for environment. Operation management differentiates three basic types of environment: internal environment, task environment and general environment.

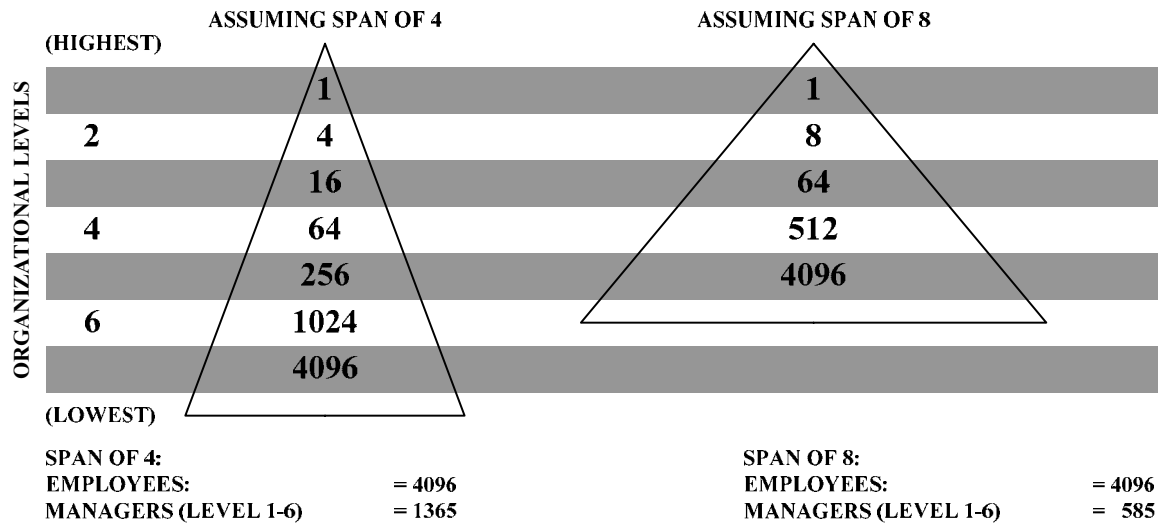


Figure 2: Contrasting Spans of Control [2]

3. NEW ORGANIZATIONAL DESIGN

Whittington and Mayer make the point that current global trends have spawned numerous new models of organizations. They note that common to the new models are the notions of knowledge and change capability, which they suggest, may compromise operational efficiency. However, they also state that traditional organization design models are not good at coping with knowledge flows and dynamic change. Practitioners and theorists have not yet come up with organizational forms that resolve knowledge, change and efficiency tensions. Figure 3. illustrates the common new forms mapped against their respective knowledge, change and efficiency capability. Each of the organizational models in Figure 3. is different from the other. Each one has upsides and downsides. Going back to the notion of an organization as part of an ecosystem there is no doubt that the dynamics are complex. That is they are not deterministic. They have a degree of unpredictability, and exhibit phases of rapid change and even catastrophic change. They are continually evolving and going through a birth, growth, death, renewal process in different temporal and spatial scales. [10]

For this reason any organization design model is appropriate only in particular circumstances – in other words, there is no one new organizational form that works for all, and there is no guarantee that what will work for you now will work for you for very long.

The following section describes emerging organizational models.

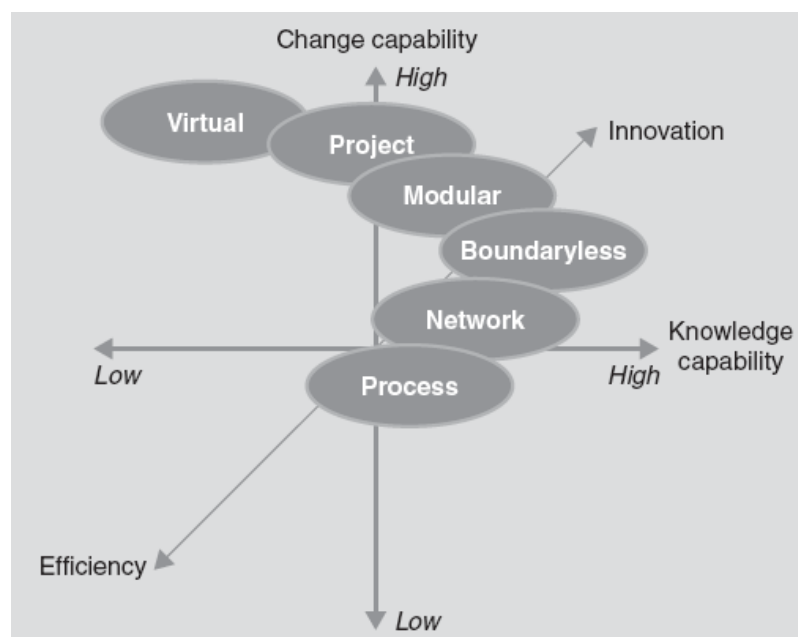


Figure 3: Mapping the new models of organization [10]

The **boundaryless organization**: Increasing pace of change, organizations have to think differently about the four boundaries that characterize most traditional organizations:

- Vertical boundaries: those between levels and ranks of people.
- Horizontal boundaries: those between functions and disciplines.
- External boundaries: those between the organization and its suppliers, customers, and regulators.
- Geographic boundaries: those between nations, cultures, and markets.

Instead of thinking of these boundaries as being fixed, inflexible, and unyielding (resulting in "silos"), think of these boundaries as being permeable, flexible, and organic membranes in a living and evolving organism/organization.

Organizations that start thinking in this way see four things start to happen:

- Employees start to share information throughout the organization resulting in a sense of common purpose and knowledge of organizational goals.
- Whoever has leadership skills and technical skills use and develop them regardless of their level in the organization. Organizational systems and processes encourage this.
- Authority and decision-making appear at appropriate points in the workflow. This demonstrates trust in employees and allows fast response to customers.
- Reward becomes based on results and achievements.

The **atomized organization**: In a reissue of their classic book *Corporate Cultures*, Deal and Kennedy talk about the atomized organization where the work of the corporation is done in small, autonomous units linked by technologies to a corporate nerve centre. They argue that the vertical organization will cease to exist, replaced by webs of social influence and strong cultural ties. Deal and Kennedy describe organizations in terms of atoms and molecules bonding together. Critical to keeping them from flying apart are those who perpetuate and develop the values, beliefs, rituals, myths, symbols, and ceremonies; that is, the culture and cultural ties of the organization that give people something to identify with and thus keep the organization strong and cohesive.

The **adaptive organization**: Adaptive organization that, like the boundaryless and atomized organization is fairly decentralized, it has a powerful technology based information system, and it is constantly evolving. Adaptive organization also has high spans of control that facilitate fast, effective decision-making. Adaptive organizations maintain flexibility by using a variety of temporary structures (similar in nature to project teams or communities of practice), alliances, and partnership arrangements. Using these means that the organization can keep changing shape, as an evolving organism does, in line with the emerging business strategy.

Theory on organizations as complex adaptive systems is a rapidly growing field of academic interest. Theory posits that organizations co-evolve with the environment through people, self-organizing as they navigate market opportunities and competitive dynamics. Self-organizing occurs when people are free to mix, network, and cross-internal and external boundaries.

The Horizontal Organization takes the vertical boundary (similarly described in the Boundaryless Organization) and makes the case for re-designing vertical organizations as horizontal organizations. These are centered on the cross-functional end-to-end work, information and material flows known as core processes. These three or four processes are the "catalysts which transform an organization from the traditional vertical to the horizontal". In his analysis horizontal organizations demand an empowered workforce and to get that requires changing training and development interventions, performance measurement systems, and information systems and flows. Changing the systems is not the only way of achieving an empowered workforce. Members must be motivated and enabled (through multi-skilling) to take the initiative and make decisions at any stage of the workflow. (Horizontally organized businesses are also known as process based.)

Other newer forms of organization include virtual, networked (cellular), modular, and project based. Reading the descriptions and theories on the emerging shape of organizations reveals there are 10 consistent trends across them:

1. Organizations are constantly evolving organisms in a wider ecosystem.
2. The health of the ecosystem depends on the health of the organisms.
3. The boundaries between the organisms are permeable.
4. Within each "organism" (organization or department), there are small autonomous work groups, 10–20 people.
5. Group members are undifferentiated by job title or level in the hierarchy – ideas and results count.
6. There are no direct reporting relationships. "Management" is by self organization. Leadership rotates to task competence.
7. The people who do the work have authority and decision-making power.
8. Members of the work group are accountable.
9. Technology links contacts and information flows between groups, the wider organization, and the ecosystem.
10. A strong value based culture bonds the work groups [11].

Table 1: Traditional and emerging views of organizations and change [10]

Traditional view of organizations and change	Emerging view of organizations and change
Organization can be: <ul style="list-style-type: none"> - Managed, changed and controlled - Restructured and re-engineered - Fixed – causes for problems identified and solutions 	Organizations are socially constructed we create our own reality in organization through relationships and dialogue. Conversation leads to rules and regulations that may be in place too long and stifle implemented innovation. Organizations are seen as a culture.
Change happens as a rational process where we can discover, diagnose, design, recommend, and implement solutions to rational problems.	Change is a natural process that will evolve and unfold. Possibilities for transformation and difference are available within a system. The challenge is how to access it, unleash it and contain it (bounded instability)
Emphasis on analysis and digital information and objectivity.	"We cannot communicate" We are engaged in constant analysis, interpretation and meaning making.
Organizations exist in an environment that can be mapped, plotted and quantified.	All organizations have the innate capability to grow, change and adapt in response to changing environmental circumstances.
Strategy is a rational, conscious of an organization within an environment or market.	We can choose what we pay attention to positioning and notice in organizations. This lens affects our way of being and acting in any given scenario.
Change is seen as a fixed state from A to B (Lewin - Unfreezing, changing and re-freezing).	Change as flux, unfolding process, inevitable, potentially chaotic, and discontinuous.
Energy for the change can be external to the system. Change is thing to be driven, cascaded, managed, and rolled out.	Control is a myth – at best, all we can perceive is a perspective (usually incomplete) on the patterns of connectivity.
Emphasis in change is in selling, cascading, overcoming resistance, achieving buy in; getting skilled up to achieve change. Change is something to be delivered against fixed, clear objectives.	Change through participation, co-creation, unfolding process and dialogue.

4. CONCLUSION

As manager look for organizational design that will best support and facilitate employees doing their work efficiently and effectively in today's dynamic environment, there are certain challenges with which they must contend. These include keeping employees connected, building a learning organization, and managing global structural issues. No matter what structural design managers choose for their organization traditional or modern or mix traditional and modern design, it will help employees do their work in the best – most efficient and effective – way they can. The structure should aid and facilitate organizational members as they carry out the organization's work. After all, the structure is simply a means to an end. Technology allows real-time coordination and integration of information regardless of amount of data and geographic location. Retail banking is an industry sector making good use of the opportunities of IT in re-designing. Therefore, organizations must seek ways of creating and operating communities of value if they are to integrate and co-operate effectively.

REFERENCES

- [1] Wikipedia, the free encyclopedia on Internet. Available on Web site: http://en.wikipedia.org/wiki/Main_Page.
- [2] Robbins, S.P. & Coulter, M.: *Management*. New Jersey: Pearsons Prentice Hall, 2007. pp. 296-302, ISBN 0-13-240804-X.
- [3] Quoted part under [2] pp. 296-302.
- [4] Daft, R.L. & Marcic, D.: *Understanding Management*, Mason: Thomson South-Western, 2004. pp. 235-238, ISBN 0-324-25918-2
- [5] Quoted part under [2] pp. 296-302.
- [6] Quoted part under [4] pp. 235-238.

- [7] *Quoted part under* [2] pp. 296-302.
- [8] *Quoted part under* [4] pp. 235-238.
- [9] *Quoted part under* [2] pp. 296-302.
- [10] Stanford, N.: *Organization Desing: The Collaborative Approach*. Amsterdam: Elsevier Butterworth-Heinemann, 2005. pp. 270-280, ISBN 0-7506-6367-7.
- [11] *Quoted part under* [10] pp. 270-280

COMPANY RECOVERY – KEY FACTORS

Lepir Snježana, Popović Irena

Faculty for Education of the Executives, Novi Sad, SERBIA

Summary: *The main goal of this analysis is to show the general framework for overcoming the crisis and define strategy recovery. All strategies can be classified into four groups: strategy change management, financial restructuring, and internal and external recovery strategy of the company. The analysis is important to include and potential causes of the crisis, among which can be included: the development phase of the crisis, the available resources enterprise life cycle of the organization, competitive position, phase in the development industry and the attitudes of key stakeholders, especially banks and other creditors. Based on analysis of relevant literature and empirical studies of recovery, all strategies are classified into four groups: strategy change management, financial restructuring, and internal and external recovery strategy of the company.*

Key words: *strategy, recovery, management, crisis*

1. INTRODUCTION

In 2008 the world economy was and still is in the biggest crisis considering last eighty years. Crisis attacks firstly american financial system firstly – real estate credit, and it gradually spreads on banking system, insurance, funds, stock market etc.

From America financial crisis was spread on European finance, banking and stock market. There are lots of signs that are warning that global economy is moving on to the serious recession, in fact it is already in one.

Importance of recovery process studying arise from the fact that the number of unsuccessful companies increase, especially in stagnated economies. The results of empirical research show that companies in crisis experienced liquidation more than recovery. Company liquidation has negative consequences on economy stability through growth of unemployed, purchasing power reduction, tendency to investments and savings makroekonomic aggregate.

According to District Court data in Republic of Srpska / BiH, finally to 2008 in privatized companies 160 of them were to bankrupt, 190 went bankrupt and 120 were liquidated. More than 70.000 employees lost their jobs. Identical situation was in Federation of BiH.

The company in crisis, that needs necessary recovery, is characterized by low profits, cumulative losses and money course crisis. The company would become insolvent if appropriate management action was not taken. Company recovery depends on adequate strategy of choice characterized by fundamental solving problems, addressing the causes of the crisis (not dealing with the symptoms!).

Strategy that treats only one cause of the troubled company crisis, regardless of its seriousness, will be unsuccessful and limited resources will be spent in areas that are not important to meet company mission. In the center of recovery strategy should be problems that threaten the very existence of the company.

Basic aim of the research in this paper is the formulation and testing of the analytical framework for the selection of adequate recovery strategies.

The first part of the paper is dedicated to the research enterprise on the basis of recovery to be performed recovery strategy. Then identify the key factors in selection strategies.

2. FACTORS RECOVERY COMPANIES AND FINDING THE CRISIS

There is no uniform classification recovery strategy. In a number of studies used classification recovery strategy whereby the effectiveness of different strategies and entrepreneurial strategies.

If the primary cause of the crisis, inefficient operations, then the company should choose a strategy of efficiency, such as reduction of costs and assets. If the current strategy of the company is not relevant, then the company makes a choice of the entrepreneurial strategy.

Change management precedes one of these two strategies and has a positive impact on the recovery of the company.

Given the fact that every crisis in the company-specific, some researchers say a number of recovery strategies, such as strategic shift, operational turnaround, financial restructuring, generating revenue, refocus market, cost reduction, reduction of assets, change management and / or combination of these strategies.

2.1. Factors choice of recovery strategy

The key factors that determine the strategy for recovery, or the choice of appropriate strategies can digest the following:

- The causes of the crisis,
- The seriousness of the crisis,
- Phase in the development of the crisis,
- Availability of resources companies,
- Specific features of the company (size, diversification, history, the previous strategy of the company)
- The life cycle of the organization,
- Characteristics of industry,
- Competitive position of the company and
- The views of key stakeholders.

For formulating a new strategy and the formulation of the concept of recovery is necessary analysis of the company condition and environment, which will show how and why the company found itself in crisis. Identifying the causes of the crisis is done in the process of implementing the diagnosis of the status of the company. In case you do not discover the real causes of the crisis and the inadequate implementation of the strategy, it is certain that the company be liquidated.

Analysis of relevant empirical research has shown that the place where the crisis comes, we can distinguish between internal and external causes.

Since the internal causes of the crisis is the most common cause of the management. Inadequate strategic leadership is manifested in many ways, directly due to lack of competence of managers and indirectly through the activities and decisions that are in the competence of managers.

Wrong decisions managers can get in the field of financial management, choice of financing policy and / or inadequate response to the changes.

External strategies give the best results in the early stages of the crisis. For early mastery of the crisis as well as an extremely serious stage can be used internal strategies of recovery. Financial restructuring activities, such as stronger financial controls and injections are appropriate for later stages of the crisis. The crisis of middle intensity, the effects that has on the enterprise, is treated by internal strategies for recovery.

Using the significant reduction of costs and assets weaken with increasing severity of the crisis. The deepening of the crisis increases the usage of strategies to improve operational efficiency.

2.2. Framework for the choice of strategy

The diagnosis of the situation surrounding the company, and many managers will provide information on the basis of which should take appropriate action. During the selection of relevant information presented analytical framework can be used. Key factors that are included in the analytical framework are: the causes of the crisis phase in the development of crisis phase in the life cycle of the organization, competitive position, phase in the development industry and the attitudes of banks and other creditors.

I will briefly explain these selection factors

2.3. Results analysis

The main objectives of the research were: to determine whether the analytical framework can be used in practice when choosing a strategy of recovery companies, and whether the identified key factors affecting the choice of one of four offered recovery strategy?

Method of research started from the assumption of large companies and their complex management structure.

Previous analytical framework is developed on the basis of a combination of theoretical assumptions and analysis of empirical studies, and here is the emphasis given to those circumstances which usually indicates that represent the causes of the crisis.

Key factors	Recovery strategies			
	Changes in management	Financial restructuring	Internal strategy	External strategy
Causes of crisis				
Bad management	+		+	
Inadequate financial controls	+	+	+	
High costs	+	+	+	+
Big Projects			+	-
Financial Policy		+	+	
Competitive weaknesses			+	+
Phase in the development of crisis				
Home			+	+
Central			+	
Serious	+	+	+	-
The life cycle of the organization				
The initial phase				+
Growth phase			+	
Stage of maturity		+	+	-
Phase of decline		+	+	
Competitive position				
Strong	+		+	-
Central				+
Weak			+	
Phase in the development of industry				
Growth			+	+
Maturity			+	
Decline			+	-
Attitudes of banks and creditors		+	+	

Legend:

(+) recommends the use of certain strategy

, (-) not to use certain strategies

The causes of the crisis determine recovery strategy. If a company has inadequate financial policy and control, as the main causes of the crisis, it is necessary to begin the rehabilitation of that part - the financial restructuring. Therefore, the company will choose the strategy of the financial restructuring if it is inadequate financial controls and financial policies caused the crisis in the secondary phase of mature company that occupies the middle position in a competitive mature economic branch.

Internal strategy, especially activities divestitures, must be implemented in all enterprises. External strategy can solve the problems of competitive weakness, but if this is a mature company in a serious crisis, which operates in the economic branch in the phase of decline.

To change management comes in many companies. Recovery strategies give results in different national, political and cultural frameworks.

Recoveries strategies are individual actions, but are linked to contextual factors identified key factors are proved to be practically applicable.

Recovery includes the ability to use different strategies. Unique requirements of each company and determine the appropriate strategy for the crisis.

Previous analysis has shown that identified key factors determine the choice of recovery strategies. Based on previous statements, we can conclude that the analytical framework is practically applicable when choosing the recovery strategy of the company.

Detailed studies should include larger number of companies and to eliminate the potential drawbacks of this research.

3. CONCLUSION

After the company experienced a crisis, it is logical to follow the recovery and release from the same or, in turn, decay firm. Adequate key when finding solutions to overcome the crisis and the same is the strategy. Generally, the strategy involves the ability of certain company response to situations that come from the environment. Strategy is a way how to use certain recourses to take advantage of to create a desired effect. Simply put, the strategy is a way to attain a goal.

The phenomenon of recovery can be seen as one episode in the evolution of the company, which describes how successful companies that can not manage to adapt to change, they lose competitive advantage, closer to bankruptcy, but at some point become capable of radical change and recovery and become successful again.

Recovery strategy is essential for the survival of the company. The process of recovery companies is complex and the result is a combination of actions in which the choice of strategy has a big role. Analysis of previous research resulted in the classification strategy of recovery and identification of key factors of choice of recovery strategy of the company.

All the strategies that have caused the recovery of enterprises are classified into four major groups:

- Change management strategy,
- Financial restructuring,
- Internal,
- External strategy for recovery.

REFERENCES

- [1] Đukić, V., *Tehnološki menadžment*, skripta predavanja, Banja Luka, 2006. godine;
- [2] Galogaža, M., *Marketing menadžment istraživanje*, Panevropski univerzitet Apeiron Banja Luka, izdanje Sremska Kamenica, 2005.
- [3] Galogaža, M., *Tehnološki menadžment*, Panevropski univerzitet Apeiron Banja Luka, izdanje Sremska Kamenica, 2005.
- [4] Mašić, B., *Strategijski menadžment*, Univerzitet Braća Karić, Beograd, 1996. godine
- [5] Barker III, V. L. i I. M. Duhaime, *Strategic Change in the Turnaround Process: Theory and Empirical Evidence*, Strategic Management Journal, 1997, Bibeault,
- [6] D. B. *Corporate Turnaround: How Managers Turn Losers into Winners*, McGraw- Hill, New York. 1982.
- [7] Bruton, G. D. i dr., *Turnaround in East Asian firms: Evidence from ethnic overseas Chinese communities*, Strategic Management Journal, 2003.

SERVICE MARKETING IN MODERN ECONOMY

Stevan Lomjanski

Forever Living Products International, Aloe Vera Info Centar doo., Novi Sad, SERBIA,
e-mail: skylom@yahoo.com

***Summary:** Marketing is the flow of goods and services from producers to consumers, based on the relationships and values in which the occurrence of new, more modern communication associates with development and growing influence of marketing and management services. The changes in economic conditions are primarily influenced by the general uncertainty in society, technological revolution, new competition and variable consumer tastes. In order to increase the values of services in the eyes of customers and thus achieve competitive market advantages all subjects included in their offer even more services and facilities similar to services. Reducing the time of designing products and services provided the industry in the developed world to turn even faster, and create a trend of formation of smaller and more flexible companies, manufacturing plants and service industries. In the field of marketing and distribution we have an even greater possibility of electronic connectivity and routing the power of distribution of services to consumer.*

***Keywords:** service, marketing, management, values, distribution.*

1. INTRODUCTION

New theory of competition is based on the comparative advantages of the company, which is lately all the more complex and not only made by "better" product, but also a number of other "secondary" factors such as availability, service, offer which saves time, discount, etc. One of the largest market mega trends today is an exceptional increase in services, so the different service industries constitute over 60% of the economy in the developed countries of the world, and service jobs mostly contribute to the growth in employment. The shift towards service economy is largely attributed to the increase of income, the increase of leisure time and the usage of sophisticated technologies that require setup and maintenance. Studying service marketing establishes the knowledge of marketing activities in the field of services market, its characteristics and peculiarities, while the implementation of that knowledge creates an adequate satisfaction for the customer. Service marketing is providing a more quality service in the traditional service industry, and providing certain services that exceed the standard, simple purchase of a certain product.

All the more, not without reason, we give importance to modern methods and creative processes of sales, ambient and the ways of sale, and, more importantly - purchase (how and where the customer buys). The main competitive processes are affected by five variable factors: social resources of the company, social institutions which formulate "the rules of the game", actions of competitors, customer behavior and state policy decisions. Resources as one of the determination factors are heterogeneous and have an imperfect but more frequent mobility, and appear in the financial, physical, legal, human, organizational, information and the relational form. In order for the success to be durable, the quality of products is an imperative, with the fact that only the orientation to the product and the production is not enough. "Focusing to the product leads to the so-called marketing short-sightedness, because the company does not notice the changes that occur in the market. Little time and effort is invested in research if the customers really want the product and will they be willing to pay for high quality." [1]

The better distribution and higher marketing orientation become a dominant approach to achieving leadership in the market. According to the marketing concept [2] the main key for achieving the objectives of the company is successful meeting the customers' needs. The needs should first be identified, examined, determine the target market and according to them plan the production and sales program and other marketing activities.

"Service activities have a significant expansion in economically developed countries. This phenomenon in literature is called the after-industrial society or a service economy." [3] According to the known differences in the concept of sales and marketing orientation [4], sales orientation is based on the seller's needs and tries to use sales techniques and intensive advertising strategy to persuade customers to buy, while the marketing orientation faces the customers and respects their needs, on which it starts from. Production creates a product according to their requirements and the task of sales is that such (customer based) created product gets sold on the market.

2. WORLD STRUGGLE FOR CUSTOMERS

Leading international companies had to change the organizational structure to be as much horizontal (with fewer levels of decision-making) because that is how they improve the process and the speed of decision-making, which leads to greater level of flexibility and the self-maintenance. Marketing service significantly stimulates economic growth through: the creation of previously missing knowledge, the connection of discrete production processes, matching the needs of the production process, indirect or direct contribution to a stage of production. The driving energies of growth of services in economy are influenced by the impact of changes in income on buying behavior, social and demographic changes, the growing importance of services production, technological development.

"Management has to invest a significant effort in freeing itself from the conventional way of work. If allows itself to be carried away, that leads to thinking about yourself as someone who produces goods and services, and not as someone who meets the needs of customers, which inevitably undermines the survival of the company. "[5] New business practices are developed, and today they dominate the global economy, some of the old market principles are lost and the struggle becomes broader, diverse and more interlaced. On a particular market of certain products, there is not just competition from same market players, but comes to the significant diversification of distribution channels. It is not only Cash & Cary vs. Cash & Cary. For this, a suitable example is pharmacy which not only keeps drugs, but also hygienic, cosmetic or other products that are not drugs; or an example of automotive tires that except in special stores for the sale of tires and automotive equipment can be bought in large markets (with the agreement on the assembly) and for major tire stores who make the sale and do the assembly service, wheel balance and wheel optics.

The service industries include: health care (hospitals, medical practice, dentistry, eyes care), professional services (accounting, legal services, architectural services), financial services (banking, investment counseling, insurance), catering - (restaurant, hotel / motel, other types of accommodation and services in them), travel (air transport, travel agencies), and many others that are related to new technologies and media.

Service sector can also be divided into components such as finance, insurance and real estate; business services; transport and communication; wholesale and retail; entertainment and accommodation; the government (educational, social, legal, defense); non-profit agencies (civil society). However, they are not separate and self-sufficient, but in many intersected and mutually interactive.

Service-quality products, such as services, information, people, time, fun, entertainment, have a greater role, while the material of the product itself loses significance. It becomes more important what the products (what benefit, service it provides to the consumer) than what the product is made off, although the quality should not be disputable.

Cooperation of production (or service sector) and marketing can create complaisance (profit, utilities, benefits, services, usage values and/or services) which are necessary to provide consumer satisfaction. According to [6], five types of complaisance, which marketing provides are:

1. Form - when someone makes something, assembly (from parts) of the finished product that can be used,
2. Task - when someone has done something for someone, such as putting ice cream into a cone, or change the oil in the car,
3. Time - ensuring that the product is available when people need it,
4. Place - making sure that the product is available, delivered to customers or is in a suitable place,
5. Possession - providing consumer with products that they can possess (usually after they pay), keep, transport, etc.

"Services are acts, processes and performance." [7] In the case of business clients, more complex markets and technology companies stimulated the need for expertise and knowledge of specialized services organization. In addition to that, due to a decrease in the cost, many companies today buy services, rather than perform the specialized tasks by themselves. Due to renting the services, companies have more flexibility and can focus on their competition. These trends lead to the occurrence of a large number of specialized service companies, therefore to the increased interest in the service industry as well as special marketing problems associated. So when you say that marketing provides this complaisance we mean the process of marketing, which does things such as creating opportunities to have a finished product or complete a service, at a certain time and at a certain place.

In all of the wider competition, it is necessary to introduce strategic options, which means that the proposal should include more services, through which we increase the value of the product or service, and therefore the competitive advantage in the market. In order to achieve "lasting" competitive advantage, bigger businesses must take the four strategic options:

1. Technical quality strategy - refers to the short term, competitive advantage is embedded in the technical solution, and the technical ability among competitors grows rapidly.
2. Price strategy - presents a reliance on deflation in order to achieve competitive advantage, it is only recommendable for the short term, because with the low prices, in order to attract and retain customers, there may be a significant decrease in profit, and prohibited if it is about dumping.
3. Image strategy - achieved only through a longer period of time, where the competitive advantage is based on the imaginary special atmosphere of goods or services (with advertising, use for consumers and others.); the image increases the value of offers (sign, brand, distribution channels and different means of communication).
4. Service strategy - with service strategy we wish to create a range of services in order to improve the relationship with customers, implementation of service strategy emphasis is put on technical quality, pricing or image, and the service presents a main focus.

The focus of economic competition in the new world order is on the service-qualitative performance, namely emphasizing quality and service, and some of their combinations. Service-quality performance is at the same time the best competition weapon in the process of attracting, retaining and restoring consumers. Superior service and quality are competitive strategy, which is the fastest and toughest in pushing forward and positioning - they are difficult to achieve, measure and consistently execute, but the constant striving to achieve and maintain such services and the quality, the competitors have much more difficulty in copying it.

2. THE TASK OF MANAGEMENT SERVICES

The main task of management service is the continuous delivery of high quality services. "Service companies are organizations that enable the production and distribution of goods, support other companies in meeting their goals and increasing the value of your personal life." [8]

Typology of services in the 21st century economy changes and new key service experiences are created, such as: creativity (advertising, design, etc.), enabling (telecommunications, transport), experience (visit ballet, restaurants, a haircut), extension (after - sale services, health control), trust (car servicing, portfolio advice), information (news agencies, Internet search), innovation (interactive and video link), problem solving (tax and informatics consultants), the quality of life (health , relaxation and recreational services), regulation (police and legal services)

Service management deals with the research of how the marketing and business operations, together with the use of technology and people, can provide planning, production and delivery of packages for consumers, and the best service contact. Service management is trying to match skill with the service it wishes to provide. It represents the ability of conceiving and designing both the service offers and the service strategy and also the delivery of services and the service contact.

For the success of the service management, we need to consider:

- The use that the customer gets when using or consuming the service package
- How much the organization is capable to produce and deliver this benefit and quality
- Which way the organization should be developed and conducted in order to achieve utility and quality
- function of the company which allows the achievement of utility and the quality and the fulfillment of the goals involved in the process of providing services

"Service is timely perishable, intangible experience for consumers who participate in the role of co-producer."

[8] The principles of service management include two basic changes: the first is the transfer from interest for the internal consequences to the interest for the external consequences, while the second is the shift from the focus on the structural to the focus on the processes themselves.

Establishing relationships with customers is conducted in two phases: the first is to attract customers, and then building and managing relationships for economic goals of both sides. Quality in these processes leads to the loyalty of existing customers (where they become permanent), and attracts new ones.

Tasks of service management and additional value which their achievement produces are:

- Define and quality improvement,
- Presentation of services and testing of new services
- Creating and maintaining a consistent image
- Motivating and maintaining commitment of the employees
- Coordination of marketing, operations and human resources
- Pricing

- Standardization as opposed to personalization

The role of management is to (base on social trends) create entrepreneurial innovation. Strategy of the organization moves from offensive marketing to defensive relationship management. Relationship management is focused on maintenance and improvement of relations and retention of customers through the larger value of services and the development of trust, satisfaction, and strong social connections. It is a professional partnership, where individuals are evaluated and rewarded based on relations with the customers they form and control. It requires programs spread across the entire organization, which are related to maintenance, investment, and improvement and refunding.

3. SERVICE MARKETING - CONSTANT INTERACTION BETWEEN PROVIDERS AND RECIPIENTS OF SERVICES

Marketing is a business function that focuses on meeting the needs and desires of consumers, which is the activity which gains the income of the organization; good marketing is crucial for the success of the organization. The trend is that, except in the market of marketing activities these be carried out through the entire organization of the company: management, the formation of products, manufacturing, distribution, sales and social marketing.

General objectives of service marketing with the profit-oriented organizations present maximizing of profits and consumer satisfaction, minimizing costs and maximizing productivity. According to [5], in order for the marketing to progress and eliminate marketing blindness, it is necessary to take a number of measures in companies, such as:

- creative destruction
- understanding of the market
- establishing a management concept

The base of distinction of tangible products and services is their contents (materiality), and lack of contents (immateriality). In practice, the products and services can appear in various combinations. Thus, tangible products require the appropriate service for their market ability, while the services often require a variety of tangible products. For example, recently there significantly developed a providing of different services (advertising, sales, payment ...) over the Internet and is expected to ,due to their advantages (speed and diffusion of users) in the future it will be even more important and massive. However, it should be mentioned that this part of the service sector has some shortcomings due to the products that monitor the service. On-line companies in the provision of services often directly depend on the quality of the user's computer, the quality and speed of the Internet connection. Therefore they have very little control over the environment in which their services are implemented. Given this connection, it can be assumed and that the number of services that are provided through the Internet will increase along with increase of the users that use the media, as well as increase in its speed and quality.

The process of buying flows with the fact that a problem occurs with a person, then he search on the solution (the company that it will solve the problem), he buys their product or service, after which he generates satisfaction or dissatisfaction with the purchased, the thing he good or badly spent the money. Interaction of communication and realization creates a dynamic mutual relation between business and consumers. Three key participants of physical goods marketing or services are presented in the Figure 1 with a triangle of integrated marketing communications [9] (*Grönroos triangle*).

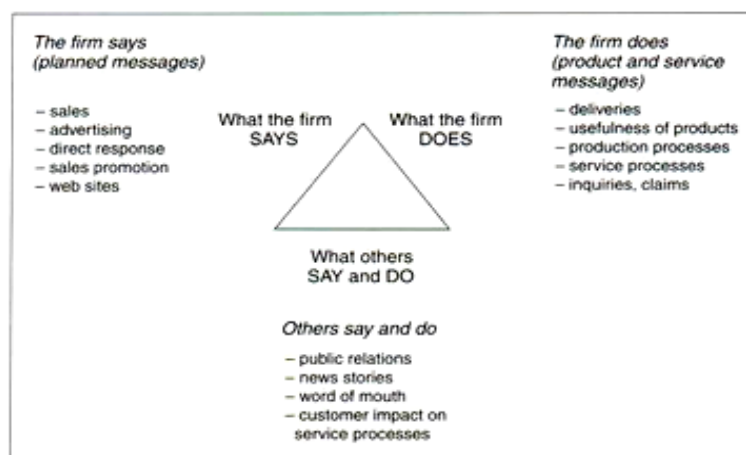


Figure 1. Triangle of integrated marketing communications [9]

The upper two sides of the triangle present the relationship of what the company says and what the company does (do they execute what they say) while the lower triangle side is reserved for the response of others to messages, and acts of the company. The top is the company with marketing and sales department, and in the bottom - the market and product evaluation. Analysis of Grönroos' triangle creates a clearer picture of the communication of the company, its acts and the reaction of others to them.

Three key marketing functions are making, managing and fulfilling promises. Moments of truth are a part of the jargon of marketing services and it stresses out that every contact with customers creates a moment that significantly affects the company's relations with them, and reveals its ability to retain customers. Service delivery is what is actually happening when a customer buys the service. The concept of promises and the role of marketing in the giving and fulfilling promises should be of central importance in the marketing models.

"It comes to significant changes in final demand and consumption." [10] The demand is becoming more and more sophisticated and fragmented. Specificity of the application of marketing services, primarily resulting from the difficulty of defining the services as well as from the fundamental attributes by which services differ from tangible products, and they are: intangibility, indivisibility, non-versatility (heterogeneous) and the lack of ownership. Offer of services is often hard to understand because the service can not be seen or touched, or tried out, can not be bought and taken home, it can not be physically possess, and so on. Service is often impossible to separate from the entity that provides it or provided it without the presence of the user. Services are not possible to store and make up in time of low demand in anticipation of greater demand. In addition, each provision of services is unique and can not be repeated completely same. Services depend on whom, when and where they are provided and it is often difficult to determine who has ownership of the service. They abound with a property of experience (which can be set after the purchase or use) and the properties of beliefs (which can not be set even after the purchase or use).

"In every organization there are two groups of parole employees, those who manage and the perpetrators. Organization can not be efficiently functioning without both groups of employees. Not only that. These groups must be linked and their activities coordinated with each other and conditioned. This means that only in their interconnection, they can successfully realize the mission of the organization." [11] Service is produced, sold and used in the interaction between consumers and service organizations; in these processes, the role of marketing is crucial. However, the implications of heterogeneity produce factors that can not be affected:

- Service quality depends on many uncontrolled factors;
- Service delivery and customer satisfaction depend on employee actions; and
- There is no reliable knowledge and control of the delivered service to match that which was planned and promoted.

Implications of simultaneity of production and consumption lead to the fact that:

- Consumers participate and influence the transaction,
- Consumers affect other customers,
- Employees affect the service result,
- Decentralization may be crucial,
- Mass production is difficult to achieve.

While the implications of corruptibility are reflected in the fact that it is difficult to synchronize supply and demand for services and can not be returned or resold.

4. SERVICE MARKETING MIX

Framework of marketing is the marketing mix, and important elements that make the marketing program. Market forces create opportunities and threats for the marketing operations of the organization. The appropriate process the one that is strategic, management and marketing process lead to the creation of marketing mix, and internal policies that are in stock with the market power. The basis of successful marketing is the marketing philosophy and marketing concept that leads all people, functions and departments in the organization. A key marketing concept is a good relationship with customers, and the key task is the construction and preservation of these relationships.

Model of service marketing system is divided into the invisible and visible part. Invisible part (of the consumers) consists of an organization that provides physical and management support services to the staff which comes in contact with the customers. Visible part is made of the physical environment, staff and the consumer.

The marketing activities include 12 elements: product planning, pricing, brand, distribution channels, independent sales, advertising, promotion, packaging, presentation, servicing, product handling, fact finding and analysis. During the planning of interaction between buyer and seller we must take this into account: the concept of service, auxiliary services, accessibility to services, mutual communication between service personnel and consumers. The concept of relationship marketing is important when companies offer their customers solutions that include the package, product and services. Emphasis is put on person to person interaction. That is how the

marketing production, delivery, consumption and development of services are implemented in direct connection with the consumer.

Marketing mix is one of the key concepts in modern marketing theory. Marketing mix is the division of labor, combination, design and integration of elements in the program or a mix that will achieve the goals of the company. When providing services, except the four traditional elements and their variables (under the control of the company) marketing mix (4P = Product, Place, Price, Promotion), attention is required by three additional, highly significant elements (3P). These are the People, Physical evidence and Process:

- People: employees, customers, communication culture and values, research of employees.
- Physical evidence: facility design, equipment, labels, garment of employees, other perceptibility.
- Process: the course of activities, number of steps, the level of consumer engagement.

The first and the third element can never be fully controlled by the company and management.

"Actors in the market scene are individuals, organized groups of individuals or organizations and institutions able to make independent economic decisions, and are willing to bear the consequences of such decisions, but also to enjoy their fruits. Economic activity takes place in every society on based on decisions of actors in the market scene." [12] All of these elements in which the consumer are reported ability and image of the company, influence on consumer satisfaction with products and services of the company. Namely, the great differences in customer satisfaction can be affected by the employees in the company, its physical environment (location and equipment through on which users often conclude about the quality of services) and type of process which was developed by service carriers. This makes the service visible and tangible, and also represents the biggest challenge for marketing professionals who are specialized for the service area. "Retail becomes irreplaceable link in the active implementation of marketing activities of producers. Thesis on marketing through retail gains on actuality. Practically we talk about matrix marketing in which the retail does a growing number of marketing functions. Hence retail becomes a "pivot" for the integration and coordination in carrying out the marketing activities between manufacturers, wholesaler and consumers." [13]

Service is a constant interaction on the relation provider - receiver, and it is the reason that only capable and satisfied employees at the end can lead to a full and true customer satisfaction or a service consumer. "In order to be successful the companies in the future must be directed towards consumers. Companies need to understand the complexity and sophistication and the taste of the future consumers. Most of the traditional approach to business will go to the museum of antiquities. There will appear a need for new approaches, influenced by the development of new technologies, and new philosophy of business." [5]

5. CONCLUSION

Considering the importance of the application of marketing in business processes is theoretically enough known and recognized, we can again return and review the actual implementation and the quality of marketing and business services of a business entity in the given circumstances. Business services provide a contribution to business performance by developing more dynamic relationships, better connections, contribute to competitive advantages, and develop knowledge and innovation.

The solution to the answers of the requirements of modern and more choosey consumers in the modern trade management and marketing and interactive marketing function, which operates in a well-studied, consumer oriented way. Marketing tools and techniques are used to make the intangible "tangible" in order to increase the productivity of services providers, standardize the quality of service, despite its versatility and impact on the increase in demand despite the incompatibility of service.

Service marketing presents the establishment, maintenance and improvement of relations with customers and other partners in order to achieve mutual benefits, with the mutual exchange and fulfillment of expectations. The key of successful service marketing in companies is the creation of internal marketing, i.e. environment, which in all circumstances provides support to the employees.

REFERENCE

- [1] Kotler P., *Upravljanje marketingom*, Informator, Zagreb, 1994.
- [2] Filipovic V., Kostic M., *Marketing menadžment*, FON, Beograd, 2003.
- [3] Milosavljević M., *Marketing*, 17. izdanje, Savremena administracija, Beograd, 1997.
- [4] McCarthy E.J., *Basic Marketing: A Managerial Approach*, Irwin Homewood, IL, 1960.
- [5] Radosavljević Ž., *Marketing*, Privredna akademija, Novi Sad, 2006.
- [6] Kenneth W., Stanley J. S., William D. P., E. Jerome M., *Basic Marketing*, McGraw-Hill, 11th Canadian Edition 2005.
- [7] Zeithaml A. V., Bitner M. J., *Services marketing*, Singapore; New York, McGraw Hill, 1996.

- [8] Fitzsimmons J. A., Fitzsimmons M. J., *Service Management: Operations, Strategy, and Information Technology*, 5th Ed., Irwin/McGraw-Hill, Homewood, IL, 2006.
 - [9] Grönroos C., Lindberg-Repo K., *Integrated marketing communications. The communications aspect of relationship marketing*, Integrated Communications Research Journal, 1998.
 - [10] Davies R., *Retail planning policies in Western Europe*, Routledge, London, 1995.
 - [11] Radosavljević Ž., Tomić R., *Menadžment u modernom biznisu*, Privredna akademija, Novi Sad, 2006.
 - [12] Dašić Đ. D., Kovačević Ž., Džombić I., *Principi tržišne ekonomije*, Fakultet za političke i društvene nauke, Banja Luka, 2007.
 - [13] Lovreta S., Radunović D., Petković G., *Trgovina*, Savremena administracija, Beograd, 1998.
- <http://www.marketingteacher.com>
<http://info.emeraldinsight.com>
<http://www.itsma.com>
<http://www.professionalservicesmarketing.org/>
<http://www.odopod.com>
<http://www.sema.rs>

CRIMINAL LIABILITY OF A JURISTIC PERSON

Vojin Marić

Faculty for Education of the Executives, Belgrade, SERBIA

Summary: *Some of indirect causes of global economic crisis comprise irresponsible behavior of juristic persons on the market, which include abuse of dominant position on market, disrespect of good business habits and business moral and breaking regulations. This work gives an analysis of criminal liability of juristic persons related to global economic crisis.*

Keywords: *Global economic crisis, criminal liability, law system.*

1. INTRODUCTION

Global economic crisis came as a consequence of many causes. Those causes are mainly of economic character. However, there are other causes which to certain degree and indirectly affect creation of economic crisis. One of the causes is irresponsible behavior of a juristic person on the market which comprises abuse of dominant position on market, disrespect of good business habits and business moral and breaking regulations. "Using dominant position to sell goods at higher prices is a classic and most often case of abuse" [12]. In the case of breaking regulations, law system sanctions a juristic person, that is, determines their liability of prohibited behavior in order to protect economic and financial dealing. Stability of market, especially in the part related to carrying out law and contract obligations, depends largely on that responsibility. Irresponsible behavior of a juristic person, that is, breaking the regulations and contracts disturbs economic and law security, which calls for state intervention in economy. „Creation of global market influences broader state intervention in regulating economic relations“[4].

According to purpose, liability of a juristic person can be material, criminal and violating. Material liability of a juristic person takes up the most important place from economic aspect, because this liability is directly connected to economic results which juristic persons realize on the market. "Juristic person is liable of any damage done by their organs or members to third persons in doing business for the juristic person in the scope of juristic person's activities"[11]. However, criminal and violating liability of a juristic person indirectly affects realizing economic results on the market from the part of a juristic person. Because of the importance of liability of a juristic person and their influence on legality of doing business on the market in the light of the cause of current economic crisis, we pay a special attention to this issue. Importance of criminal liability is bigger if we know that juristic person more and more often break regulations and influence the origin of economic crisis. "Just because of that, demand of every law system and certain safety of legal institutions is a safety which is not a purpose to itself, but serves to realize a cause"[7].

2. CRIMINAL LIABILITY OF JURISTIC PERSONS

2.1. Way of regulating

Juristic and physical person can be held liable of criminal actions only if such actions are regulated by the law as criminal activities for which law regulates criminal sanctions. "Delicate liability of a juristic person is also specific, related to activities of the organ done in business activities, and not to their behavior as subjects in general"[11]. A juristic person is: economic societies, foreign societies, or parts of foreign societies, public companies, public institutions, domestic and foreign non-governmental organizations, investment and other funds, sports organizations, political parties, citizens' associations, as well as other associations and

organizations to which the law system recognizes the status of a juristic person. "Trade societies or companies imply trade societies or companies of citizen or trader's law, including cooperatives and other juristic persons of public and private law, except for those who do not do business to gain profit" [12].

Because of the differences between criminal liability of a juristic person and criminal liability of a physical person, there are special conditions in criminal legislature for determining responsibilities of a juristic person for committing criminal act.

2.2. Specific conditions for determining criminal liability of juristic persons

Subject of this consideration are not common institutes of criminal liabilities determined by criminal legislature, but specificities that must be determined with criminal liability of a juristic person.

Since the act of carrying out can be done only by a man / woman, not a juristic person, it is logical that the law regulates that a juristic person can be held liable just for the criminal act which the perpetrator – physical person had done in the name of a juristic person.

The law defines that a reliable person in juristic person is responsible for the legality of the work of a juristic person. From the above determining of responsibility of a reliable person we see that he / she is responsible for criminal acts, so that that responsibility is borne by a juristic person as well.

2.3. Liability of a juristic person according to the place of committing a criminal act

A juristic person is responsible for a criminal act according to the place of committing, that is, they are applied regulations on criminal liability of the country where the criminal act had been committed. This rule is in effect, no matter if it is a domestic or a foreign juristic person.

2.4. Foundations of liabilities of a juristic person

One of the following conditions has to be fulfilled for a juristic person to account for a criminal act committed by a physical person in the name of or for the profit of a juristic person:

1. Characteristics of the committed criminal act come out of the decision, directive or permission of managing or supervising organs of a juristic person,
2. Managing or supervising organs have influenced perpetrator or enabled the person to commit a criminal act,
3. A juristic person disposes of illegally realized property or uses object arisen by committing a criminal act. "That is why the measure of confiscating property specific, because it enables confiscation of what was gained by committing a criminal act from the perpetrator, which otherwise cannot be done with other measures: fine, or a safety measure" [6];
4. Managing or supervising organs of a juristic person have omitted proper supervision over legality of employee's work.

All the numbered conditions are regulated alternatively, which means that at least one of regulated conditions should be fulfilled in each particular case for the foundation of criminal liability of a juristic person.

2.5. Limit of a juristic person's liability for a committed criminal act

When we talk about liability of a physical person for a committed criminal act, we have a rule that the one who committed a criminal act is liable for it, that is, a physical person cannot be held liable for a criminal act which another person took over. This principle cannot be applied to determining criminal liability of a juristic person and criminal liability of a person held liable in a juristic person just because of specific characteristics for a juristic person. With a juristic person, we have a situation in which two subjects are liable for the same act of committing and the same criminal act, and those are a juristic person and a person liable in a juristic person. We can draw a conclusion that liability of a juristic person for a committed does not exclude liability of a person held liable in a juristic person for a committed criminal act. Namely, liability of a juristic person and liability of a person held liable in a juristic person are mutually connected and conditioned in such a way that there is no liability of a juristic person without liability of a person held liable in a juristic person for the same criminal act. A juristic person can be held criminally liable even when a person held liable in a juristic person is not punished.

2.6. Responsibility when changing the status of a juristic person

As we know, the law allows a juristic person to make certain status changes from the moment of acquiring that characteristic, up to the end of the feature of a juristic person, like merging of a juristic person, separating a juristic person, change in the form of organization and cessation of a juristic person. In this part we will comprise the cases of bankruptcy and cessation of a juristic person.

1. If a juristic person is in the bankruptcy they can even then be held liable for criminal acts committed before bankruptcy or in the meanwhile, for which there is no court decision in effect.
2. With status changes in a juristic person consequence of which is a new juristic person as a juristic follower of a juristic person which ceases to exist, the issues of criminal liability of a juristic follower is regulated so that a juristic follower is held criminally liable for a criminal act committed by their predecessor if it is determined in a criminal act, and criminal act is not ended in effect on the condition that managing and supervising organs of a juristic follower knew for the existence of a criminal act at the moment cessation of a juristic predecessor.
3. If criminal liability of a juristic person is determined by a decision of competent court in effect after cessation of a juristic person, then a juristic follower will instead of a criminal sanction be pronounced one of the safety measures: deprivation of objects originated in the criminal act or deprivation of a property procured by a criminal act.

We can draw a conclusion that in the above cases there is no criminal sanction applied, but a juristic follower is not allowed to keep the objects and the property acquired by doing a criminal act.

3. PENALTIES FOR A JURISTIC PERSON

3.1. Kinds of penalties

Law regulates the following penalties for a juristic person who did criminal acts:

1. Monetary penalty
2. Penalty of taking belongings and
3. Penalty of cessation of a juristic person

Monetary penalties are most often regulated in the limits of special minimum and maximum, and together with this rule, monetary penalty can be connected to the level of damage caused or gained illegal property.

Penalty of taking belongings is most often regulated for certain criminal acts. When belongings are taken, a quantity of belongings which can be taken from a juristic person for performed criminal act is defined.

Penalty of cessation of a juristic person can be pronounced to a juristic person provided that the juristic person used their business actions in the whole or partially to commit a criminal act. Since a juristic person is made by a registration in court register, and ceases to be by erasing from the court register, the court which pronounced the penalty of cessation of a juristic person will suggest the process of liquidation of a juristic person which was pronounced the penalty of cessation a juristic person.

Court can pronounce a suspected sentence to a juristic person, provided that it determined a monetary penalty, which means that the other penalties of a juristic person cannot condition what is conditioned by their nature. If a juristic person during probation time commits another criminal act, the court is obligated to revoke the pronounced suspended sentence.

3.2. Meting out a penalty to a juristic person

Individualization of a penalty to a juristic person implies pronouncing the kind and the height of a penalty for a committed criminal act which completely complies with the purpose of the penalty. "Our criminal law starts from the fact that a criminal liability of a doer is a starting point for measuring the penalty. [6]. Penalties are always pronounced in boundaries regulated by the law, and when pronouncing them, all the extenuating and aggravating circumstances are taken into consideration. Out of the circumstances which influence the kind and the height of a criminal penalty to a juristic person for the committed criminal act, these are especially taken into consideration:

1. Severity of a committed criminal act. Severity of a committed criminal act is particularly manifested through the severity of consequences made by committing a criminal act. "Severity of consequences made by committing a criminal act can partly be treated both as extenuating and aggravating circumstance for the accused when measuring criminal sanction" [4].
2. Degree of criminal liability of a juristic person for a committed criminal act.
3. Position and number of people in a juristic person liable who committed a criminal act.
4. Inclination of a person liable in a juristic person to committing criminal acts and breaking regulations.
5. Economic power of the company and business results it realizes are an important circumstance which affects the height of criminal sanction.
6. Dealing of a juristic person before committed criminal act.
7. Behavior of authorized organs of a juristic person after a committed criminal act is one of the important circumstances which affects the length of the pronounced penalty to a juristic person.

8. The relation of authorized organs of a juristic person towards arisen consequences is important for meting out a penalty to a juristic person. If a doer of a criminal act completely eliminates harmful consequences made by committing a criminal act, then not only the purpose of penalizing is carried out, but the consequences are eliminated, so harsh penalizing of the doer of the criminal act in that case would not have a point.
9. If a juristic person as a doer of a criminal act returns property gained by committing a criminal act, that circumstance will be looked upon as extenuating, and the doer of a criminal act will be pronounced milder penalty, and the other way round.
10. Authorized organs of a juristic person can get information that committing of a criminal act is in preparation, and take concrete measures so as to prevent the committing or to reveal the doer, which would represent an extenuating circumstance for a juristic person.
11. Authorized organs in a juristic person can significantly contribute in uncovering of the criminal act and finding the doer after committed criminal act.

When some of the circumstances represents a characteristics of a criminal act, it cannot be taken into consideration as an aggravating, nor as an extenuating circumstance when meting out a penalty.

Harsh penalizing of a juristic person for a committed criminal act is particularly affected by the fact of a juristic person having earlier been sentenced for a criminal act, or if a new criminal act is identical to the former criminal act and how much time had passed since the sentence.

4. CONCLUSION

Analyzing regulations on determining criminal liability of a juristic person we can conclude:

- A juristic person can be criminally charged from the moment of becoming a juristic person, that is, from the moment of gaining juristic subjectivity by registering into the registry with authorized court, that is, by their origin,
- a juristic person is criminally liable for criminal acts which have been done in its name and for its purpose by a liable person in a juristic person, that is, a juristic person
- a juristic person is liable for a criminal act which was committed by a physical person as a liable person in this juristic person in the name of a juristic person and in its purpose,
- criminal liability of a juristic person and criminal liability of a liable person in a juristic person mutually connected and conditioned,
- that a juristic person can be pronounced only certain criminal sanctions of property character or a penalty of cessation of a juristic person for committed criminal act because of specificity of nature a juristic person
- that introduction of criminal liability of a juristic person for a committed criminal act cancels liability of a juristic person for economic violations,
- that criminal sanctions are pronounced and stated to a juristic person in order to adequately protect economic and financial dealings, that is, to prevent and stop bad ownership of the property of a juristic person and wastefulness in disposing of that property
- that sanctions pronounced to a juristic person because of committed criminal acts contribute to stability of a market and elimination of one of the causes of the origin of financial crisis.

REFERENCES

- [1] Atanasković, D.: Kriterijumi odmeravanja kazne, Beograd, 1975.
- [2] Đorđević, M.: Privredni prestupi. Beograd, 1968.
- [3] Đorđević, M.: Krivična odgovornost pravnih lica, Beograd, 1968.
- [4] Komentari krivičnog zakona SFRJ. Savremena administracija, Beograd, 1978.
- [5] Lazarević, Lj.: Kazne i mere bezbednosti u savremenom krivičnom pravu, Beograd, 1969.
- [6] Marić-Petrović, N.: Naknada štete žrtvi krivičnog dela, Beograd, 2001.
- [7] Perović, S.: Pravno filozofske rasprave, Beograd, 1995.
- [8] Petrović, B.: Krivično pravo, Sarajevo, 2004.
- [9] Srzentić, N.; Stajić, A.; Lazarević, Lj.: Krivično pravo SFRJ. Opšti deo, Beograd, 1990.
- [10] Stojanović, Z.: Krivično pravo, Beograd, 2002.
- [11] Subotić-Konstantinović, N.: Uvod u međunarodno privredno pravo, Beograd, 1999.
- [12] Vukadinović, R.D.: Pravo evropske unije, Beograd, 1996.

MANAGEMENT-SELECTION OF RIGHT GOALS

Tatjana Maričić
OŠ Sveti Sava, Mladenovac, SERBIA

Summary: *The paper deals with the formulation of management and strategic marketing and the link between them, trying to offer improved and developed knowledge, concepts, strategies and skills of modern management of international business operations on the basis of marketing concepts, improved and developed knowledge of determinable and vital aspects of business, supported by complementary basic knowledge of psychology and management. Business competence would be supported by additional operational skills of the skilled management, which is engaged in studying consumer psychology and basing its strategic marketing in the nature of knowledge obtained at the market and the psychological insights. The paper tells about the irresistible link between management and marketing, about the importance of planning and studies on the activity. It is a process that involves making decisions about what to do in the future, based on a thorough assessment of the appropriate potential. The process of planning means setting clear, understandable and measurable goals, designing and choosing routes and ways of achieving specific goals. Marketing planning is a support in decision-making in marketing in terms that accompany the risk and uncertainty.*

Keywords: *management, marketing, strategic marketing, planning, psychology, knowledge of consumer psychology, marketing presentations.*

1. MANAGEMENT-SOCIAL PHENOMENON

The term management in itself is translated as ruling, and the ruling represents the capability of performing issues through other people.

The management used to be translated by our term ruling, but these words are not synonyms because ruling is only one of the management functions.

A manager is someone who works with other people and with their help he/she coordinates their operating activities in order to realize the organization's goals.

The unique and universal definition of marketing doesn't exist. Management is a very complex and complicated phenomenon.

Management can be considered from various aspects: As a social phenomenon, as a scientific discipline, as a skill and capability, as a special managing structure in an organization, as a profession, as a specialty, as a vocation and science, even as art.

Management is a specific social phenomenon existing as long as human civilization and it is related to all types of organizations people associate in, existing in all social systems and connected with almost all business functions within an organization. However, management as ruling the economical organizations is about 200 years old, so as to grow into a special scientific discipline in 20th century, experiencing powerful development and advancement.

Management is viewed and defined as the process of managing certain business and systems for more efficient achievement of corporate goals. It is about a complex process consisting of a set of related sub processes: planning, organizing, personeling, leading and control.

Management represents the process of planning, organizing, leading and control of efforts of all the members of an organization and exploitation of all the organizational resources in order to accomplish the set organizational goals. Thus, the definition indicates what are the manager's tasks (planning, organizing, leading, control).

Management is the activity directed to accomplishing certain, set in advance goals, but with the efforts of other people. It is a process of directing behaviour of others towards the execution of a particular task.

Management is quite often used as the term signifying leading over an economical organization. That is indeed the ambience which has created modern management we know today. Management has revolutionized the nature of business operations in the past hundred years. In the period a significant place belongs to managerial revolution which, such as cars or telecommunications, has changed the way of living of economical entities. In modern definitions of management, the emphasis is put on specialty and expertise in exploitation of time and human resources [1].

It depends on the manager to what extent will some organization successfully achieve its goals, and at the same time, fulfill its social responsibilities- it is the managerial output, i.e. how well do managers perform their job. It is the same with the organizational output- the measure determining how well organizations perform their operations.

Highly significant is the concept of management estimation, introduced by Peter Draker- it is a concept of efficiency (capability to perform things properly, i.e. to accomplishing the results that are accorded with the inputs) and effectivity (selection of right goals, which is the key of success of any organization) [14].

There is a great number of definitions of management with the purpose is to comprehend the phenomenon totality and to more easily understand its essence and significance. It is directing or navigating a system from its initial state to the desired one (Jay Galbright). This definition points to all the width of managerial activity in which three important elements are identified: the initial state in which the system is at; managerial activity performed by the managers; and the desired state, the aspiring goal.

Management presents the capability of doing things by and through other people (Mary Parker Folet). This definition points out that management accomplishes organizational goals by engaging other people, managers rarely perform by themselves all the activities for achieving goals. This definition also points out to main characteristics of managerial work: managers perform work through other people; an immediate subject of managerial work are information and instruments of labour; activating component of each organization are the employed in the managerial administration; the managerial is work in its nature intellectual, though it also possesses the elements of physical nature.

In order to establish the essence of management, it is started form establishing of what do managers do and how they do it.

What is manager's job: Management means coordinating the work activities, so that they are performed efficiently and effectively- with people and by other people.

The efficiency is related to taking the maximum out with minimum inputs; it is defined as «doing business in the right way».

Effectivity is performing activities in order to achieve the organizational goals. It is defined as “doing the right things”.

2. MODERN MANAGERIAL CONCEPT

Strategic marketing presents a modern managerial concept of permanent adaptation of marketing activities and the whole company to the changeable ambience.

It is a process by which the marketing managers formulate and apply the strategies and for the purpose of achieving the set goals under the given conditions of the environment and the company itself [6].

Modern approach to managing marketing implies a continual process of adaptation of a company to the changeable ambience, whereat the ambience permanently influences the company, but the company also has certain influence on the ambience in which it exists and to which it adapts to.

It is defined as active process of determining and leading marketing activities according to the marketing goals or marketing management for the purpose of adapting marketing activities to changes arisen in the ambience.

It is a planned and comprehensive concept turned towards the ambience, relying on a creative and innovative approach on developing and planning marketing activities, marketing structure, products and services and marketing control.

It is a process of strategic analysis of the factors related to the ambience, competition and work, which influence on operating units and on predicting the future tendencies in the operational fields that are of the company's interest:

3. MARKETING ORIENTATION

Development of marketing orientation is a long-term process and it presents a special form of investment. This investment is mostly related to the change in organizational culture and climate and in such a way that common values, expressed through satisfying the consumer needs and concern on the quality, would become the motto and tendency of all the employees in all of the activities [5].

Development of marketing orientation implies focusing the organization's activities on: the buyer/consumer, competition, change of the organization's ambience and culture. The process of implementation of marketing orientation evolves in several phases:

1. Providing the support of high level management.
2. Formulating a concrete mission related to development of the marketing orientation. At the same time, there should also exist an appropriate plan as well as the necessary resources to accomplish the plan.
3. Forming of a specialized team, consisting of the company's managers and consultants. The technical team should:
 - identify the present orientation of the company,
 - design and suggest the program of advancement of the organization's culture and climate,
 - suggest the eventual structural changes within the company for the purpose of the marketing activities' support and
 - suggest the program of conducting the changes within the rewarding system (pecuniary rewards and promotions).

The acceptance of marketing orientation implies developing the management skills in marketing. Marketing is not just a philosophy or approach on the way the business is performed, but it is also the activity of leading. **The leading process** implies the progress of activities of: analysis, planning, application.

4. PSYCHOLOGICAL ELEMENTS INFLUENCING DECISION-MAKING PROCESS

Perception is a process of selection, organizing and interpretation of informational inputs for the purpose of creating particular meaning. The informational inputs are impressions acquired by watching, tasting, hearing, smelling and touching. When we listen to an advertising message, watch friends, smell or drink water or touch some object, we receive a certain informational input. The perception is a process evolving in several phases, being:

Selective exposure, implying the selection of inputs we are exposed to for the purpose of becoming aware of their existence and presence.

It is a fact that some types of information reach our conscience while other fail. One input will have greater probability that we will become aware of its existence especially if it is related to some expected event.

In the situation of selective memory, a person remembers the information supporting its personal feelings, beliefs, fears, and forgets the inputs that do not provide such support. For example, if the consumer after the selling presentation of some merchandise forgets the information, not providing support to his attitudes, the performed presentation will not encourage the consumer on the possible purchase.

The information interpretation means determining the sense on what has been formed as the informational *input*.

An individual bases his/her interpretation on the basis of previously formed cognitions and information [8].

Motivation is a set of internal urges that are capable of starting the conscious action in individual or groups that make decisions and whose purpose is to lead to the change in the feeling of satisfying needs or feelings of pleasure. Those urges can be of physiological nature (hunger, thirst) or emotional (desire for possession from any reasons). The research results show that as soon as the primary level of needs is satisfied and passed into the higher where the possibilities of satisfying are broadened, the emotions occupy the increasingly greater part in decision-making and overwhelm the rational factors of motivation for purchasing.

The motives acting in the situation of regular purchasing of certain merchandise are called the "patron" motives. For example, a buyer is purchasing in some shop due to the motives such as some of his expectations being fulfilled, for example, the price, the shop assistant's courtesy, the shop's location, the honesty of the shop assistant, varied choice of the goods, good selling terms, etc. The marketers working on making the marketing program would have to dispose of information on the mix of the motives being specific for a particular selling place or product and emphasize their significance in the marketing programs.

Companies conduct research on motivation in order to discover main motives influencing on the consumers to buy a certain product or not. The research should include: factors acting in the domain of functionality, factors acting in the domain of dynamics and factors acting through other principles.

Capabilities, competencies and effect of performing certain tasks are what differentiates one individual from another. One of the capabilities the experts in marketing are interested in is the capability of learning. Learning is reflected into changing a person's behaviour on the basis of received information and experience. The consequences of a specific behaviour have a powerful effect on the learning process. The behaviour which is the result of positive influences will certainly be repeated. If a buyer from a particular shopping and usage of the product bears positive experience, it is highly probable that the shopping will be repeated all the way until it stops providing pleasure.

Apart from it, one should have in mind that the consumers that are not skillful in the shopping and handling the product, ask for someone else's help, advice from other people, friends or relatives.

5. CONCLUSION

New marketing strategies (1:1), based on building long term (personal) relations with the consumers, demand from the marketer to help buyers get to know the product's features and acquiring experience together with them. Free products' samples encourage trying out and decrease the risk of shopping. degustations in shops help the consumers in gathering knowledge on the way of use of particular products. Trial run of a car creates an experience of the potential buyer of the new car with regards to the features of some models. Consumers also learn directly, through the information received from the shop assistants, form commercial messages, form experience of their friends and relatives. Through selling staff and commercial messages, experts for marketing offer information before (and sometimes even after) shopping in order to act on the consumers in that way to learn and create positive attitudes towards their products.

REFERENCES

- [1] Albaum G., *International marketing and export management*, Prentice Hall, 2002
- [2] Duncan, Tom, IMC, McGraw Hill, New York, 2001.
- [3] Gravens, D.W., *Strategic marketing*, Irwin
- [4] Hill C.W.L., *International Business: Competing in the Global Marketplace*, McGraw Hill, 2005.
- [5] Hodgetts R. M., Luthans F., Doh J. P., *International Management: Culture, Strategy and Behavior*, McGraw Hill Higher Education, 2005.
- [6] Keegan W. J., Green M., *Global Marketing*, Prentice Hall, 2005.
- [7] Kovačević R., *Savremene tendencije u svetskoj privredi*, Institut za spoljnu trgovinu, 2004.
- [8] Nelson A.C., *Import – export*, McGraw Hill, 2001.
- [9] Noonan C., *Export Marketing*, Butterworth-Heinemann, 2002.
- [10] Ognjanov, Galjina, *Komunikativna moć prodaje, Dosije*, Beograd, 2004 (Delovi I i II)
- [11] Rakita B., *Međunarodni marketing*, CIDEF, 2005.
- [12] Rakita B., *Međunarodni menadžment*, CIDEF, 2003.
- [13] Schultz, Don E., Stanlez L. Tannenbaum, Rober E. Lauternorn, *Integrated Marketing Communications*, NTC Business Books, Chicago, 1993.
- [14] Terpstra W., Ravi S., *International Marketing*, Dryden Press, 2003.

ELEMENTS OF TECHNOLOGICAL DEVELOPMENT AS INSEPARABLE PART OF MODERN ECONOMY

Mehmed Mehinović¹, Luca Zečirović²

¹ Dobož municipality- East, Dobož- East, BOSNIA AND HERZEGOVINA, e-mail: nacelnik@dobojistok.org

² Parliamentary assembly of BiH, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: ppdivut@bih.net.ba

Summary: *Technological development is a part of economic and social development, which includes far wider than those processes that are directly related to the very dynamics of change and technology. Complexity of technological development requires the assessment of the many-sided. Efforts that appear to be in the direction summarized definition of this phenomenon carry the risk of one-sided, limited and incomplete explanation. The aim of all actions and changes that take a man and introduced in the field of material production and the outside is the creation of social progress in putting a man on the central site. As a prerequisite for economic progress is permanent technological and economic progress, but this does not mean that any technological and economic progress and social development is, it can be and vice versa. Obvious example are introduced tehnologije harmful to the natural environment and for the environment and human health. The main requirement for technological development is the development of science, engineering and technology on the basis of wide use of scientific knowledge.*

Key words: *science, technology, development, economy, society.*

1. INTRODUCTION

In 21st century science and technology represent the basis for the higher level of economic and social development of modern society. The dominance of knowledge represents the main link in being competitiveness of companies and economy. Because of this, establishing of knowledge based economy (KBE) and of knowledge based society (KBS) is becoming all the more important. "Knowledge and creativity are basic elements of innovation processes which generate new technologies and forces, and which moves the development of the economy in a society. Knowledge represents postulates, while technology represents applied postulates whose aim is to satisfy the needs of people."

The essence of technological progress as a process is enabled by:

- a) creating new and improving existing means and methods of creating new values, which enable cost-reduction in a work process;
- b) appearance of a new product/service or improving the existing one, and
- c) improving organization and management of technological processes, with a purpose of creating new values.

Technological development consists of:

- 1. Innovation processes, which consist of generating new technologies, their diffusion and implementation.
- 2. Development of science and intensity of scientific research decides the direction and feasible, real potential of technological development.
- 3. It leans on existing institutions and characters in national innovational system.
- 4. Productivity growth and its positive influence can be seen in a growth of certain relevant economical parameters in the area of commodity production and providing of services.
- 5. Process of education and improvement of cadres.
- 6. Developing processes for making new values depend on the changes in technology.
- 7. Informational and communication technologies in service development.
- 8. Improving life standard of people causes them to be satisfied with their work.

9. Ecological dimension of technological development is becoming more and more important, and sustainable development (as a concept of feasible technological, economic and social development) represents the humanity's only alternative.

Technological progress is a process that leads to creation of new or improvement of existing products, new or improved old procedures and methods, creation of new or improvement of existing means of production. This is achieved through horizontal and vertical transfer of technologies.

Economic progress can be achieved with equal or less usage of resources. Well planned and verified on the market, technological change can bring on wanted economic results, which means progress, as compared to existing situation. The influence of technology on economic development is indisputable. On the basis of the researches so far, it can be said that the influence of technological development on economic development can be seen in these:

1. enhanced productivity,
2. changes in the basis of the production structure, and
3. influence on the better rate of the economic growth.

Influence of technological development on production quality is achieved through:

- improving the instruments for work
- discovering new methods and procedures
- discovering new kinds of energy
- improving the "human factor"

The new technological age is the age in which the means for work are getting constantly improved, and at a great pace, and that is why they are often very different in quality in different economic areas, and human labour is changed by machines.

Automatization at first demands certain technological operations and later more complex production processes. The production is getting done with minimum human involvement including control and regulation functions.

- In energetics, chemical industry, metallurgy and so on, automatic production has been established, and the complete production is managed from a single electronic centre.
- Another way in which modern technological development influences the production factors is based on innovation and applying of new discoveries in chemistry. This enables automatization of the production process, and rational usage of raw materials, as well as overall productivity. Existing multiple usages of new materials (gained through chemical technologies) has brought on faster development in metallurgy, cloth and wood industry, agriculture etc.
- Very important way in which technical development influences production factors is discovering new kinds of energy, new alternatives, like solar energy, energy of the sea, wind, biomass etc. Automatization means great energy expenditure, and technological innovations are necessary for increasing overall energy potential.
- Other than important changes in quality of essential elements in production (caused by applying of modern technological improvements) there are important changes in position and quality of subjective factor. This is obvious in technologically advanced countries, where human factor is pulled back from the production process, and transferred to preparation, management, research, design and similar phases in production. At the same time, they are trying to overcome now obsolete notion of productive work (from time of simple machines and manufacture).
- Modern technological development improved the quality of production factors, and caused significant changes in economic structures, caused the expanding of existing and forming of new production branches.

In this way it affects the overall structure of economy.

Considering the importance of modern technological developments and its influence on quality, efficiency and essential structure of production, we can conclude that long-term improvement of productive forces in a country depends on it.

Based on scientific research, the technological development provides the best solutions to some of the most important problems: rational usage of different production factors, their combining, or replacing by more accessible ones.

Modern technological development strives to find optimal combination of available factors, but it also enables increase in socio-economic efficiency through reducing cost per production unit. It uses available natural, economic and social conditions as a starting point.

2. CONCENTRATION AND CENTRALIZATION OF PRODUCTION

Except for the size of the country and the degree of economic development, the size of the firms and their interconnections also have effect on the intensity and course of technological development. Large firms are usually able to organize themselves in the area of scientific research and development, through forming

appropriate scientific base units, i.e. they are able to finance these activities as parts of independent institutions. They are aware of importance of science and they already have (or can easily get to) necessary resources- which enables them to use and implement the discoveries from their research units. This is corroborated through experiences of large firms from highly developed countries which invest huge amounts in scientific research and implementation of new discoveries. The companies have realized that this is the way to ensure maximum profit in a long term, steady growth and firm position in a market.

On the basis of the funds meant for research and development in the USA and leading countries in Europe, researchers have compared the degree of concentration and centralization of production, and concluded that the American corporations invest more funds in scientific research than their European counterparts in the same branch. American corporations are bigger than European, so we can conclude that the positive correlation exists between their size and the funds invested in scientific research and development.

According to certain authors corporations must reach certain (minimal) size, in order to get the expected profit from invested funds. They claim that since the large companies are only ready to increase these funds up to a certain point, that no positive correlation exists between the growth of the company and the amount of resources given for research and development.

We should emphasize the important role of the state in the capitalist countries, because it provides an important part of funds for scientific research and development. The state directs these funds on the basis of strategical goals, and concentrates them on certain branches and areas, and also finances the government funded universities, which in their turn provide new cadres.

The state stimulates the development of military technologies through ordering necessary items for the army, and in this way creates demand for conventional and new products. The state cedes patents with no fee, if these were result of its research institutions. In this way large corporations are closely related to the state, which broadens the notion of concentration and centralization of production and of resources for scientific work and development.

3. TECHNO - PHYSIOLOGICAL EVOLUTION

In the past, technology usually represented empirical knowledge accumulated through work. Today it largely receives more tangible meaning. The most important technological achievements are possible only because of the fundamental scientific discoveries.

It is impossible to create technological resources such as nuclear reactors, lasers, computers etc through purely empirical means. Precondition for their construction is profound knowledge in physical, chemical and other processes on which their operations are based.

One of important conditions in production is providing fast enough progress of the science. Technological level of production dictates the degree of science usage. It also dictates the degree to which the technological base in production can accept new scientific ideas. At the same the material-technological base in production is the basis for scientific research and has a great influence on the "industrialization" of science. Modern scientific facilities are equipped with the latest technology, such as nuclear reactors used for research, powerful radio-telescopes, electronic microscopes and similar apparatuses.

Intensive development of science and technology, their influence at each other, turning science into a productive force are some of the most important things in modern scientific and technological revolutions. Scientific discoveries and achievements cause change for the better in all branches of modern technology. Technological means, systems, apparatuses and methods in production are fundamentally changed. Mechanization of individual production processes is changed by complex mechanization and usage of robots at all points production. Total electrification of economy has been undertaken, as well as switching to alternative energy sources, such as solar energy, atomic energy, bio-gas, or the energy of the wind. Mechanical methods of processing different materials are changed by modern ones (which is possible through latest achievements in physics or chemistry) such as ultrasound, lasers and so on. Biotechnology is getting improved very fast, which provides biological methods for making many products (proteins, enzymes, vitamins...).Improvement of chemistry and technology brought about new synthetic materials and sped up technological processes. This also increased productivity and improved the quality of the products. Constant improvements in science made going to space possible, and made us familiar with laws both of micro macro worlds.

The cosmic research represents an example for fruitful interrelation between science and technology. This connection works both ways- it creates new disciplines in science, and also improves technological research. Also, computers have improved studies of communication and management. Mutual influence of science and technology represents the basic condition for progress, not just for science and technology, but for the society as a whole.

Scientific and technological revolutions cause production powers to change by making science the leading factor in production. These revolutions started in the middle of the twentieth century. They changed the character of

social production, conditions, character and content of work, structure of productive powers, social division of work and professional structure of the society. They lead towards fast increase in productivity and also influence culture, psychology of people, society-nature relationship. They also accelerated scientific and technological progress.

The two main sides of scientific/technological revolution are –scientifically-technological, and social. The main part in preparation for this revolution had the scientific successes from the end of XIX and the beginning of XX centuries. These caused changes in understanding the substance and the world. It started with discoveries of electron, radium, with creation of theory of relativity and quantum theory. The chemistry changed under the influence of discoveries in physics made in the second decade of XX century. Quantum theory explained the nature of chemical bonds. Discovery of DNA in sixties of the last century marked the breakthrough in genetics, chromosome theory and new therapies.

Society-nature relations are also included in scientific/technological revolution. Uncontrolled influence of technology on nature can have serious consequences. That is why man cannot only use natural resources, but must also take care of saving and improving natural potentials. Because new “ecological problem” has arisen, special care must be paid to preservation and scientific management of our environment.

This scientific/technological revolution strengthens the connection between different processes and events, and every larger problem must be tackled from a new, complex view. That is why tight cooperation in different branches of science is now of utmost importance.

4. THE DEGREE OF SCIENTIFIC/TECHNOLOGICAL POLICY

Scientific/technological policy means formulation of aims, strategies and tactics, defining conditions, and establishing coordination in different branches of science, research and development. On the basis of results from these activities, scientific potential of a country is improved, and can be used to achieve certain social and economic goals. This policy is integral part of economic policy of a country; it respects the current needs of social and economic progress and uses them as a starting point for further development. It determines aims and programs for researches, necessary funds, cadres and other essential conditions.

Scientific/technological policy of a country has four basic functions: planning, coordination, stimulation and executive function.

Planning determines aims of a research, their priorities and means for carrying them out. Coordination brings balance between different kinds of research, disciplines, sectors and institutions. Measures for stimulation direct the potentials of scientific research according to planned aims. Executive function provides practical realisation of the current tasks.

This notion of scientific/technological policy is relatively young, and it dates from after World War II, i.e. when the importance of science and research for social progress was fully understood. Nevertheless, some forms of influencing science and research have been used in capitalist countries since the beginning of XX century. However, it was in a form of help from benefactors from rich capitalist families to scientists and researchers. This form of help was losing its importance, and during (and after) the World War II the state took upon itself the financing of greater part of researches, both at universities and industrial research centres. In most countries today, the larger of expenses for research and development is covered by the state, and that is why we can say that the state is the main part of scientific/technological policy.

5. MODERN INTERNATIONAL TECHNOLOGICAL COOPERATION

The before mentioned facts mostly explain the importance of international cooperation in the domain of scientific research and development. The pronounced presence of concentration and centralization with further widening of work division and specialization formulate the main postulates of modern technological development. In these conditions even the most developed countries are not able to organize researches in all areas on their own, and for this reason why “internationalization” i.e. international cooperation in this area is becoming increasingly important. This cooperation usually takes place through certain geo-political groups, such as: EEZ, SEV, OECD and others.

Important characteristic of modern technological process and the main condition for “internationalization” is the fact that scientific discoveries do not apply to one country only. There are certain limitations in their application, but these appear in international information exchange. Considerable amount of these information are circulated by publications, except for the national secrets- in this case the circulation of information is deliberately slowed and delayed for a certain period.

Highly developed countries maintain numerous economic, legal and financial contacts in the areas of science and technology. They cooperate in different ways: joint investments of countries or corporations (investments in

research and development), buying and selling of patents and rights, engineering, founding specialized organizations for research and development-mutual cooperation in this sphere, non-commercial exchange of scientific and technological information, and many other ways.

International exchange of scientific and technologic achievements (or international scientific/technological cooperation as a whole), can be divided in this way:

1) commercial exchange (buying patents and rights)

2) non-commercial exchange.

Companies, scientific/research facilities, government institutions and others can be the main parties in these activities.

Scientific and technological cooperation between former Soviet republics was the most developed among the members of SEV. This cooperation which helped them to "speed up economic and technological progress", and it was one of the essential aims in their relations. The members of SEV have achieved this, as well as many other goals through specialization and cooperation in production, through division of work and integration of economy. Cooperation among these countries was differently conceived, and greatly differed from the one used in the highly developed countries of the West. Considerable part of scientific or technological researches was ceded without payment, with symbolical participation in financing the project. This was meant to improve scientific/technological relations. The Board for mutual economic help was constantly controlling multilateral cooperation of all members.

6. CONCLUSION

Intensive development of science and technology, their mutual connection and influence and turning science into a productive power are among the most important things in modern scientific/technological revolution. Strengthening of science's role has caused its structure to become more complex. This can be seen in rapid development of researches with direct application in different areas, as a link between fundamental research and production. This development has strengthened the connection between different sciences, produced new, specialized ones which deal with increase of productivity of the science in itself.

Global character of scientific/technological revolution demanded international cooperation and the transfer of technologies to develop. This revolution was above any national interest, and it demanded united efforts of many countries and international organizations.

International cooperation in developing countries is not institutionalized, and there are great differences in socio-economic systems and levels of scientific/technological development. Their cooperation was underdeveloped in the areas of science and technology because their low potential in these areas.

Technological development is based on new technologies. It influences enlargement of economic subjects (especially in chemistry, electro- industry, car industry etc.), so that there is very high concentration of production, which crosses the borders of individual countries in a form of multinational companies. The enlargement process triggers the concentration of resources assigned to scientific research and development.

Modern technological development improves the quality of production factors. Many important changes take place in the structure of economy as a whole, new branches of production are formed and existing ones expanded. The long term development of productive powers hugely depends on technological development.

REFERENCES

- [1] Blagojević, S., Naučni i tehnički progres (studije i ogledi), Ekonomski institut, Beograd, 1978.
- [2] Devetaković, S., *Nacionalna ekonomija*, Ekonomski fakultet, Beograd, 2009. ISBN 978-86-403-0976-9.
- [3] Ekonomska enciklopedija, "Tehničko-tehnoški progres". Savremena Administracija, Beograd, 1984.
- [4] Galbraith, J. K.: *Nova industrijska država*, prevod, Stvarnost, Zagreb, 1970. COBISS.SR-ID: 104730375.
- [5] Mansfield, E.: *The Economics of Technological Change*, Norton, 1968.
- [6] Marija-Levi Jakšić i saradnici, Menadžment inovacija i tehnološkog razvoja, Fakultet organizacionih nauka, ISBN 86-7558-215-3, Beograd.
- [7] Stojanović, R.: *Teorija privrednog razvoja u trećoj tehnološkoj revoluciji*, Savremena administracija, Beograd, 1987.
- [8] Stojanović, V. : *Tehnološki menadžment*, APEIRON, Banja Luka, BiH, 2008. ISBN 978-99938-29-90-4.

THE RIGHT OF INTELLECTUAL PROPERTY

Emin Memišević

Sarajevska pivara, Sarajevo, BOSNA I HERCEGOVINA, e-mail: ppdivut@bih.net.ba

Summary: *Protection of intellectual property has a contribution to economic growth, both in developed and in developing countries, by encouraging innovation, cultural diversity and technological development. Technology and creativity are the basis of modern business that changes the lives of millions of people today would not be there is not intellectual property that gives the right to interview lektualnu property (eg, medicines, electricity, telephone connection, information systems). Intellectual property makes the overall benefit of society, adding value and providing guarantees of quality. Trade marks and geographical indication of origin, allow customers to create differentiation between goods and services of different manufacturers to choose products according to the manufacturers whose reputation most believe. They also represent a permanent link between the manufacturer and its products and encourage manufacturers to be responsible for security, efficiency and product quality after the sale.*

Keywords: *new technologies, intellectual property, copyright, conventions, legal regulation.*

1. INTRODUCTION

Intellectual property [4] is a product of intellect which is property of individual or organization, and because of them they can choose to use it freely or to give it to the other person and control its further usage. Intellectual property can be found everywhere –books, films, CDs, DVDs, softwares, in every object such as cars, computers, drugs, different kinds of herbs, in everything that has developed thanks to advantages in science and technology.

In international and comparative law the term 'intellectual property' is accepted as common term for the right on industrial property and right of the author. Between industrial property and the right of the author there are close connections. Some characteristics of industrial property and authors' right justify the existence of the unique law discipline. The subject of the protection of intellectual property are spiritual creations and the right of the author on the results of his intellectual property, and that is where the name intellectual property come from [1, pp. 23]. Intellectual property represents creations of the mind, such as literary and art works, symbols, names, pictures and design in trade etc.

All special characteristics that help us if we are going to buy a product or not, come to the field of intellectual property. New technologies, except the important contribution for the improvement of mix products, made it easier to copy and break the law about intellectual property of authors, inventors, designers and other people who have this right.

The existing condition brought improved activity of the protection of the right on intellectual property on international and inner level. In all the definitions which talk about intellectual property, and which are only slightly different, we can see that intellectual property is a form of ownership under certain product of the intellect-mind, spirit. We should have in mind that this traditional saying is not connected with material-legal term of property.

Intellectual property, as general legal category, labels certain right which protect creations of personal creativity and invention. The right on intellectual property does not protect ideas. It protects only the products of ideas. For example, according to the Convention about the foundation of World organization for intellectual property in 1967. (*World Intellectual Property Organization – WIPO*), 'intellectual property' is a scope of rights about:

- Works of literature, art and science;
- Interpretations of artists and interpreters and shows by artists performers and of radio shows;

- Scientific discoveries;
- Factory, trade and service stamps as well as trade names and trade marks;
- Protection of disloyal competition and all other rights connected to intellectual activity in industrial, scientific and art field.

Agreement about trade aspects of the right of intellectual property (*Trade Related aspects of Intellectual Property Rights – TRIPS*), was accepted in 1994. as annex of the Agreement of World Trade organization. Under the term of intellectual property are:

- Rights of authors and similar rights;
- Stamps of goods and services;
- Geographical marks of background, industrial models and samples;
- patents;
- topography of integrated circles;
- protection of undiscovered information for the protection of disloyal competition;
- control of practice in limitation of competition in the contracts about the licence.

2. WORLD (UNIVERSAL) CONVENTION ABOUT AUTHORS' RIGHTS

Although Bern convention gathered many member countries, it could not make a system of universal legal protection of authors and their works, which would be accepted in the world. In the fifties of the XX century there was an initiative in UNESCO for the foundation of an international convention which would protect the rights of the authors. That how they came to the Universal convention about author's right in 1952. in Geneva and at the same time founded World union about authors' rights.

Since there was a wish to gather as many countries as possible and since there were huge differences in national legal systems, the content of the rights and obligations of the new Universal conventions were 'weaker' than those of the Bern convention. The system of author-legal protection is paralel and complementary in both, so most countries are members of Bern and World Union about author's right.

2.1. Universal conventions

The basic principles of Universal convention are assimilation and minimal rights. The published works by the authors who are living in countries which are members of Universal Convention (no matter where they are published), as well as the works first time published on the territory of some of the countries which are members, enjoy with other countries members an author-legal protection, which is given to domestic citizens. The unpublished works of authors of citizens of the member countries, are protected as well as works of domestic citizens, if their authors are citizens of one of the countries who is a member of the Convention.

Characteristic of the Universal convention is to exclude protection of the author's moral rights, which is a direct influence of the American authorship right which gives advantage to property interests of the author, that when author gives the work to be used, he loses the right to control the usage of his work. The general tendency of the convention is shortage of deadlines of author-legal protection, so general is that work is protected while author is alive and 25 years after his death, that is 25 years after publication or registration of the work.

There are special laws for photographic works and works of applied art, which are shortened to 10 years.

In order to avoid the possible conflict between World Union and Bern Union, Universal convention with special regulations and additional Declaration regulates this question. So it is predicted that Universal convention will be applied in relations between countries connected by Bern convention if it is about the work made in the country which is member of Bern union. Revision of Universal convention in 1971. in Paris, it is predicted that developing countries can withdraw from the Bern and join Universal convention if they think it is better for them. In case of conflict between regulations of these two, regulations of the Universal convention will be used.

The right of intellectual property are given according to national laws and international conventions. International conventions have a task to bring together the different national systems of protection, so that the right of intellectual property could be fulfilled after one registration in more than one country.

System of legal protection of intellectual property is made in such a way that the author and the society have a benefit. It represents a delicate balance which provides satisfaction on both sides. Society has multiplied benefit from such rights such as having loyal competition and encouragement of production of the most different goods and services, improvement of technological and cultural development. Intellectual property is protected by giving exclusive right to the inventor, author or artist, to commercially use his work in a limited time period. He can have it in many different ways, depending on the type of right [2].

The price that the consumer pays includes the risk for health and safety, specially if products like medicines, toys, food are included, even spare parts for cars and planes.¹ During the purchase of copied goods, consumers are often deliberately led to think that they get the quality they expect from the branded products. Copied products are produced without checks of quality or safety which are implied by organs for public standards and the owner of the brand. World health organization thinks that 10% of all pharmaceutical products go to forged medicines and 60% in developing countries.

There are numerous evidences about the link between those that make copies and organized criminal. According to the data of international organization which represents the rights in film industry (*Motion Picture Association* –MPA), only in Europe the damage is measured in hundreds of million of dollars. From the profit made by this organized crime is financed. Analysis show that this also becomes one of the leading criminal activities. For example, pirate DVD factories in Russia have annual capacity of 30 million disks, and local need is 10 times higher. Only in one police action 25 000 DVDs and 20 000 VCDs were taken, and over a thousand VCRs linked for copying. It was calculated that organizers made profit of 250 000 US dollars for only two weeks. So it is not strange that mafia in Italy took over the complete job of organized piracy. According to experts, success in fighting bring few factors: change of law regulative, letters to warn companies and retail shops about sanctions, and some police actions done in the centers of illegal activities.

In case there is a doubt that rights of intellectual property are hurt by import, export or transite of goods, the customs workers will work as demanded.

Demands can be:

- Individual, when they refer to one supply of goods;
- General, when the bearer of the rights gives the the customs workers detailed data about original goods, places where it is produced, central warehouses from where it is distributed on market of Europe and other countries, to producers and distributors of such good, roads of transport, and all the data which can be helpful in identification of the package for which there is a doubt that is hurts the right on intellectual property.

The bearer of the rights has a duty to determine time deadline when customs organs have to take some measures, and after that the demand is accepted by reaching a solution (most often a period of a year). After the deadline, the bearer of the right can ask for a prolongation.

When a customs organs by official duty stops the customs act, they have to inform importer without a delay, if they know his address, and organs who have to protect the right on intellectual property. In any phase of this, if authorized customs worker suspects that goods, which is in customs, represents goods with which someone hurts the right on intellectual property, goods are withheld. Goods stays under customs supervision for 15 days, and during that time the bearer of the rights has to get a temporary measure with authorized court. If he does not do that, then after 15 days goods are free to go. That means that in stated deadline the court did not determined that the right on intellectual property was damaged and did not keep the goods under customs supervision.

About the breaking of procedure a report is made and bearer of the rights, or his authorized representative is informed (usually law office). They are given adequate information (address of the acceptant, address of the sender, trade name of the goods, quantity and type of goods etc.). Based on that an answer is expected, so that procedure is taken about the goods according to the existing law regulative.

Bearer of the rights on the intellectual property and interested sides in the procedure, have the right to identify goods, inspect it within 15 days, if those acts are done in customs facilities and under customs supervision. One should have in mind that when the goods are kept by customs organs and contacts with bearer of intellectual property, what is important is the speed and type of information (photo-documentation from the spot, code and other information which can provide the bearer to give complete and accurate information about the goods). Also one has to have in mind the respect of confidentiality of information and its selectivity so that it does not endanger confidentiality of data connected to other importers (respect of the bussines secret). The reached court order obliges them all to act by it, and if there is not one then customs organs have to act in certain way. But there are some other possibilities to get the final aim, and that is to remove the goods from the usual trade lines, without the decision of the authorized court organs. If customs procedure is terminated on the bases on doubt of authorized customs official that it is a good which hurts some of the rights on intellectual property, and no demand for the protection for protection of the rights is submitted, then the regulation says that the intellectual property was hurt if the importer, that is, the owner of the good, through a statement gives the goods to the state. Customs organ can ask for a good that is kept because of doubt allow it to be eliminated from the regular trade circles by destroying the goods, if within 30 days from the day when he was informed about the termination of customs procedure and possiblity that the good in destroyed, the importer, that is owner of the goods, does not dispute such a possibility. So we come to the measure, which is at the end in all the measures – destruction of the goods.

¹ Maja 2005. godine poginulo je 55 ljudi kada se norveški avion srušio na letu ka Njemačkoj. Kasnije je utvrđeno da je do pada aviona došlo usljed falsifikovanja zavrtanja ugrađenog prilikom sklapanja repa aviona.

If in the act on authorized court it is decided to destroy that goods, customs organs will allow the destruction of the goods under customs supervision or give it as a donation, under the condition that there is no damage for the bearer of the rights on intellectual property and he is allowed to suggest a way the goods are eliminated. So far, contacts with the earer of the right on intellectual property about the goods for which it is determined to hurt some rights on intellectual property, and which is to be destroyed, did not leave the possiblity of appliance of law regulation that enable customs organs to remove that kind of good from the usual trade circles by donation, because the bearers of the rights have definite attitude that such a good should be destroyed. They also were ready to donate original goods.

2.2. Paris convention for the protection of industrial property

The most important and the oldest source of international right on industrial property is Paris convention for the protection of Industrial Property.

Paris convention was reached in 1883. in Paris and with it was founded an international Union for the protection of industrial property [5, pp. 122]. Text of Paris convention has been revised many times, and last one was in 1979.

Protection of industrial property, according to Paris convention, has as subject patents, useful models ('small patents'), industrial samples and models, stamps, trade marks and geographical marks of the background, as well as putting a stop to disloyal competition. Protection of industrial property was not imaged as aim for itself, but as means to encourage creative work, trasfer of technology, industrialization, investments and fair trade.

Paris convention for the protection of industrial property stands on three basic notions:

- 1) notion of national treatment;
- 2) notion of assimilation; and
- 3) notion about minial rights.

Notion of national treatment anticipates that citizens of every country of the member of the Union enjoy in other countries of the Union, if it is about protection industrial property, the same rights and obligations as citizens of that country. They will, not only enjoy the same protection, but have the same legal means against every damage to their rights, if conditions and formalities are fulfilled that national regulations demand from domestic citizens. One can have these rights even if they are not domestic in the country.

Notion of assimilation which is stated in the Convention enables the participants of the countries of the Union to be equal with the citizens of the countries which do not belong to the Union under the condition that they are domestic citizens or have a 'real and serious industrial or trade company' on the territory of the Union.

Notion of minimal rights anticipates that on the members of the Union and assimilated people some of the minimal rights will be applied, which are stated in the text of the Convention. The most important rights in the field of minimal rights are the right of union and fair priority. The right of union priority means that according to the first correct application in one of the countries of the Union, the applicant can, in certain time period (12 months for patents and useful models, six months for stamps, industrial models and samples), ask for protection in other countries members of the Union, and for later applications, they will have the priority of the first application [3, pp. 427]. The right of fair priority talks about the recognition of fair priority for the application of the patent, useful model, stamp, industrial model and sample, whose items of protection are exhibited on recognized international fair on the territory of the members of the Union.

3. CONCLUSION

Huge negative economical and social effect that stealing of intellectual property has in the context of organized crime, asks for a need to make the fight against forgery and copying priority for the society as a whole, and not only for the bearers of the right. National strategy for the application to European Union, in the part about the protection of intellectual property, says that the government has to organize the programs of training and strenghtening of consciousness about the damage that forged goods has for national and international economy.

It is especially necessary to work on the education of police, customs and inspection organs (especially on education and specialization of judges and prosecutors) and part of the employees in the government aparatus who have a duty to react in the procedures of protection of intellectual property. Proper government of intellectual property can become a powerful means to improve growth and general progress of the society. In order to use potentials, protection of intellectual property has to be supported by certain public policies in that area and stron determination of the government to set efficient instruments to see in conducted.

REFERENCES

- [1] Vesna Besarović: *Intelektualna svojina, industrijska svojina i autorsko pravo*, Čigoja štampa, ISBN 86-7630-026-7, Beograd, 2000. godine.
- [2] Vesna Besarović, Savjetodavni izvještaj o razvoju pravne zaštite intelektualne svojine u Srbiji i Crnoj Gori u kontekstu zahtijeva EU procesa Stabilizacije i pridruživanja i pristupa WTO, AIA Izvještaj SCEPP-a.
- [3] Vesna Besarović, Blagota Žarković, *Intelektualna svojina*, Dosije, ISBN: 86-81563-44-0, Beograd, 1999. godine.
- [4] Jelisavac Sanja: *Međunarodno regulisanje prava intelektualne svojine*, Institut za međunarodnu politiku i privredu, ISSN 0025-8555, Beograd, 2004. godine.
- [5] Zbornik radova, Multilateralni trgovinski pregovori – usluge, investicije i intelektualna svojina, Konzorcijum ekonomskih instituta Jugoslavije, Beograd, 1989. godine.

USED CARS BUSINESS DEVELOPMENT CONCEPT FOR CAR DEALERSHIPS IN SERBIA

Miodrag Milutinović

Belgrade, SERBIA, e-mail: miodrag.milutinovic@daimler.com

1. INTRODUCTION

Requests which are placed in front of the world auto industry, are growing larger. With the growing global crisis, for new cars are more difficult to find a path to their future owners.

The practice of any serious auto dealers, regardless of brand, is to offer used vehicles and of course trade-in possibility of vehicle brand they deal with [3]. The benefits of used vehicles offer is generally doubled: increasing sales of new vehicles, because customer does not have to waste time with the sale of old vehicles, but simply return his used vehicle, and comes to the new charge, which encourages the sale of new vehicles, and other is that the dealer can also earn selling used cars.

This work shows the business concept of special unit – department, selling used cars in the car dealership, adapted to conditions in Serbia, in other words, the entire organization and guidance how to build it, for any brand with sales of minimum 600 new vehicles per year.

2. BACKGROUND

Constant increase of demand for trade-in on the Serbian market, in all Class Segment, especially in middle Class, growing up, since Year 2000, and it is only a matter of time when a trade-in, a well established process and tool on the developed markets, is to become a common practice in every dealership in SCG; there fore, all dealerships have to launch as soon as possible the trade-in as an official sales tool. Also, increase of market share (Mercedes-Benz and BMW) in the Diplomatic Core segment [5], bringing high class car on used vehicle stock. In order to set up a business strategy for the used car business and trade-in process that is to match the market situation, a marketing research project have to be conducted, with the following objectives:

- Market size and it's core characteristics (Number of registered cars on market, sales of new cars,...)
- Used cars dealer network (Number of dealers in network which dealing same brand in specified area)
- Products, prices – advertised vs. actual (Determination of real sailing prices on market)
- Customers' insights – demographics, lifestyle, preferences, attitudes, ...
- Definition of risk factors (Unstability of used cars import terms defined by state,inflation...)
- Need for the improvement (or implementing) of the complaint management system.

3. RESEARCH – GENERAL INFORMATION

Expectations for 2009 are not so optimistic, but Serbia had approximately 5.5% increase of GDP in 2008, also constant increase of households expenditure for motor vehicles and traffic, and constant growth of purchasing power from 2000 to 2008. Results are following: from 2002 to 2008, the number of registered Passenger Cars in Serbia has increased for 15%, from 1.35M to 1.95 M. Other segments of the total motor vehicles market have insignificantly increased, for 1% to 5%. According to SMMRI estimation we have that :

- the total number of registered Passenger Cars and Vans would increase for 45% in Serbia from 2005 to 2010.

- the total number of first time registered (new and used imports) Passenger Cars and Vans would increase for 77% in Serbia from 2005 to 2010.
- the total number of new Passenger Cars and Vans would increase for 112% in Serbia from 2005 to 2010.

3.1. Research – Motor Vehicle Market

Ten percent of the drivers in Serbia (300,000 drivers) are took a delivery of a vehicle in 2006 - 2008. As a result, the ratio of new to used is 1 to 2, or in other words, 100 000 new vehicles and 200 000 used vehicles, both imported and locally traded [5]. Very interesting is that VW is the product that generates the highest interest among the drivers. Audi and Japanese brands are more in demand in Belgrade then in rural areas, while the interest for BMW, VW, Opel and Mercedes-Benz are at the same level, regardless of the type of area of living. Conclusion is that used car sales are exceeding the sales of new vehicles, and in trade-in business set up, due to high demand, the least risk lies in business with VW and Opel in general, and in addition, in Belgrade also with Audi, MB and Japanese brands. For example, Mercedes-Benz dealers, in order to bring the risk in trade-in business to minimum, the safest policy would indicate trading in VW, Audi, Toyota, Nisan (upper market models). However, from conquest point of view, trading in BMW for Mercedes-Benz is also to be considered, but for slightly more margin reserved when calculating the trade in terms due to higher risk, as a result of a lower interest.

3.2. Research – Decision Making Criteria Car Buyers

Although drivers of used cars claim that prestige and status symbols have little to do with a choice of a vehicle, three most important criteria are:

- Comfort and spaciousness (71%)
- Beauty, style and design (67%)
- Safety and security (61%)

Second most important set of criterias are liking, affection for the product, then power and performance, price and terms of purchase, and drivers family needs.

Approximately 35% of potential car buyers would buy used vehicle, mainly because they are short of funds for a new one, and 65% would pick a new one. Majority of drivers would prefer to buy a vehicle in a used car showroom, from a licensed dealer, or from a friend – looking for a seller who they can trust (this is the reason why Salesmen have to be good trained). Split between diesel and petrol is equal, except in the case of taxi drivers, who would go only for diesel engines. For the purchase of used cars, price is not as important as when it comes to new vehicles, because used car buyers are much often better informed.

3.3. Research – Attitudes towards terms of Payment

Majority of used cars drivers - 60% buy vehicles for cash, 30% of used cars drivers would buy a vehicle by a bank loan, in most cases it is 5 000 Euro [7] and 200 monthly installment on a 5 years period would be considered as affordable.

3.4. Research – Sales of Used Cars

In Belgrade 70% of drivers is of the opinion that is better to buy EU-made used car then EE-made new car, also 70% of drivers believe that it is better to buy a used car from EU then from SCG. Most important facts for used car buyers are: good condition, low mileage, known owner and not been damaged car in past, and this facts are more important then “price” when it comes to judging a used car.

For most of the drivers, a warranty would provide confidence in a used car, drivers in Belgrade would pay a premium of 10% for a used cars with warranty also drivers in Belgrade would usually buy 4 years old vehicles. Conclusion: it is of utmost importance that the drivers have trust and confidence in the seller and in the product.

3.5. Research – Used Cars Driver

Almost 18% of used car drivers is paying off or has paid off a loan so far, one half does not go in for sports, and the remaining half is mostly playing football or basketball – typical Serbian selection of sports. Over 50% of used cars drivers smoke, but it is interesting that much higher percentage (high class cars owners) smokes Davidoff then the general population, revealing more about their life style.

If observing their travel destination, mostly visiting Montenegro and Greece, 20% admits that they do not read dailies, so one expects the true percent to be even higher, and even lower is the readership of weeklies and monthlies.

50% using internet, mostly for informational and entertaining purposes.

3.6. Research – Executive Summary

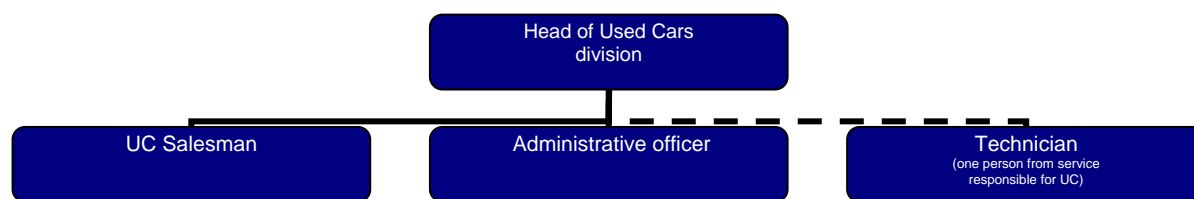
In order to meet the market demand trade-in is to become one of the key tools for the sales of new vehicles in every dealership in Serbia. Due to market demand and drivers' state of mind, the lowest risk is to introduce trade-in of dealers brand. For example Mercedes-Benz dealership: first MB, then Audi, VW, Toyota as well as BMW for the new Mercedes-Benz PC. Later, brands like Nissan, Opel, Honda and Peugeot could also be included.

Generally, trade-in vehicles have to be up to 4 years of age, max. mileage 100 000km, and in good condition. Brand equity, trust in product quality and confidence in a "seller" are of utmost importance for the used-cars customers.

Acceptance of vehicles in trade-in would put dealer in the position to avoid any discounts on new vehicles [1]. Introduction of warranty on used cars would be a pure reflection of dealer leadership strategy in Serbia that would take one step further from competition and would be one of key competitive advantages. Such warranty would also improve the resale value of dealers passenger cars, that would be one more argument for new cars discount avoidance, resulting in true premium product image.

4. ORGANISATION

In dealership organization separate profit center have to be established [1]. Existing clearly marked adequate space for stock vehicles is needed, also office and equipment for UC division staff, than one working place for technician, adequately equipped. Most simple organization diagram :



Job descriptions in short are described in next chapter.

4.1. Job descriptions

Head of UC (Used Cars) sales - analyses of market research, competition and UC dealers in SCG, sales planning, complete stock management, planning of activities in connection with UC sales, also responsible for complete communication in connection with UC sales, auctions and event organization. Have to report, depending on organization, to retail sales manager, acquisition, responsible is for calculations, offers, contracts, budget, costs and net profit.

UC (Used Cars) Salesman – have to following market trends, purchasing of used vehicles (calculation preparation),

making an offers and contracts for trade in and sales, acquisition, active sales, take in and hand over of the vehicle, and participation in all kind of activities in connection with UC sales.

Technician – main task is complete technical observation of used car for trade-in, valuation of the damages in total amount (reporting to head of UC division), checklist completion, repairs of the damages (in dealership workshop or outsourcing), maintenance of stock vehicles (every second day outside cleaning, checking cars after every test drive of potential customer), and complete preparation for delivery (PDI, car wash and fill in of guarantee booklet) .

Administrative officer - administration of stock database (photographs and relevant data), updating presentation of stock vehicles on web site, coordination (contacts and weekly supply of data for adverts with print media), administration of documents archive and customer database, market research, and participation in all kind of activities in connection with UC sales

4.2. Supply Strategy

On the first place trade in, than demo vehicles from new car sale department and company vehicles fleet. Next step is import of used vehicles (official dealers from abroad, 1-2 ex.owners, mileage max.120 000 km) and vehicles from local sources, such Internet (www.polovni automobili.com, www.kupiauto.com) auctions, adverts (newspapers – halo oglasi), and leasing vehicles (canceled contracts).

4.3. Sales strategy

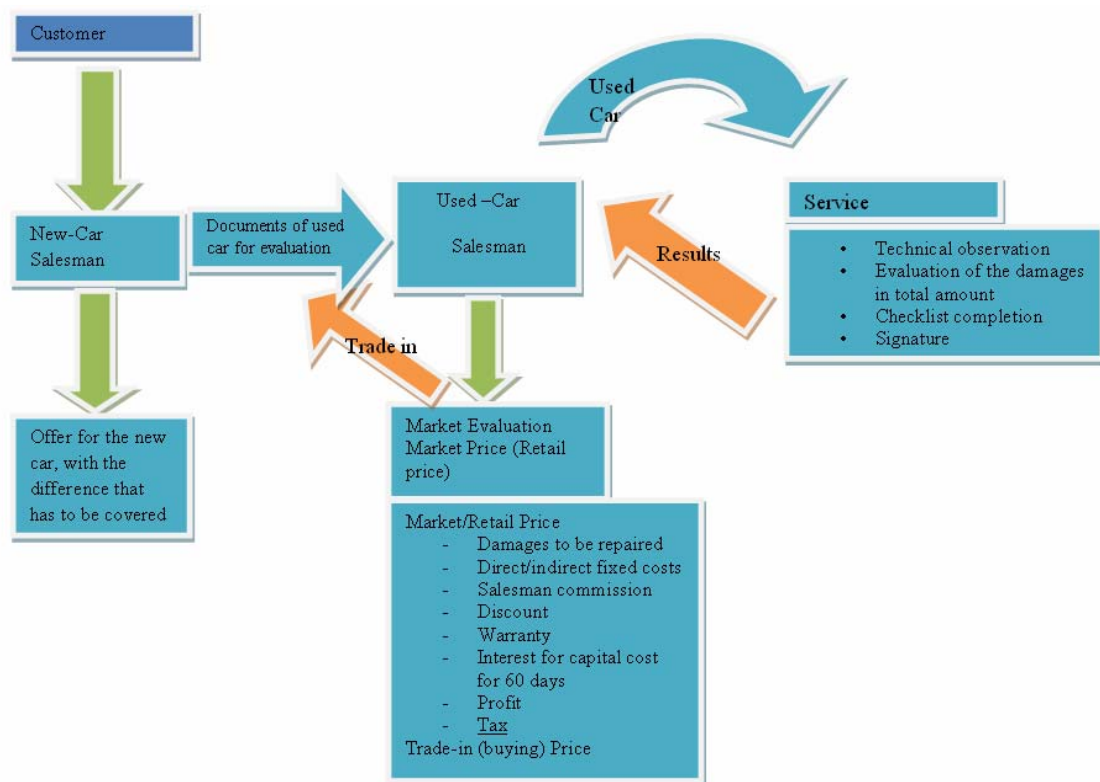
Sales strategies is based on high turnover/circulation of used vehicles, having always space to take another vehicle in, as a part of trade-in deal, in order to enable additional sales of new vehicles/increase of market share, while achieving 0% profit [4].

Prices have to be positioned according to the relevant sources, per research info, constantly surveyed and adjusted every 30 days, considering end customer discounts of up to 5%., automatic decrease of the prices of the vehicles with more than 90 days on stock below the market price [2], auctions every 120 days depending on number of the vehicles with more than 90 days on stock, Average stock turnover: 60 days.

4.4. After Sales Strategy

Warranty for used cars up to 4 years of age and 120.000km, which covered all faults that may occurred in next six months, starting from date of sale and 50 000 km on mechanical power train parts (engine, gearbox, axle).

4.5. Trade in Process



List of documents

- Trade-in Vehicle evaluation sheet
- Used vehicle price calculation
- Trade-in vehicle purchase contract
- Trade-in vehicle take over sheet
- Internal service request
- Used cars sales contract
- Used cars sales contract including warranty
- Customer Delivery certificate
- Used car warranty

5. CONCLUSION

Previous work is a short study and research about why it is necessary that every car dealer in Serbia, should have a division for the sale of used vehicles. The reasons are listed in the part dealing with the research are still valid, regardless of the current global financial crisis, and decline of selling new and used cars.

For the beginning of this small division, dealership not require a big investment in the first moment, and the results are visible almost immediately. Most importantly, is to set a good organization, which is explained in this study, and of course, to find quality people to start work, and understand that profits from the sale of used vehicles in the first time is not important, but growth in sales of new vehicles.

REFERENCES

- [1] Robert Cohill - The used car money machine, Pittsburgh, Pa. : Dorrance Pub., 2003.
- [2] Edward Coleman - Mastering the Art of Selling Cars Online, Universe Star 2007.
- [3] Bernhar Ebel, Marcus B. Hoffer: Automotive Management - Strategie und Marketing in der Automobilwirtschaft, Berlin 2003.
- [4] Todd Newman - The book of professional car selling and career strategies, USA 2006.
- [5] Research by SMMRI – Strategic Marketing and Media Research Insitute Group, Beograd.
- [6] <http://www.benzinsider.com/2008/01/mercedes-benz-strategy-for-the-future>.
- [7] <http://www.raiffeisenbank.rs/>.
- [8] <http://www.thinkingmanagers.com/companies/mercedes-benz.php>.

INTERNATIONALIZATION OF SERVICES MARKET

Dalibor Misirača

University of Belgrade, Faculty of Economy, Belgrade, SERBIA

Summary: In work productivity, service activities take each day the greater part of the economy. Participation of services in the national product is growing in developed countries, as well as countries in development. Service industry has more significance in employment. Happenings in the domain of technological achievements opened the service door on the economy of all geographic areas, where life is taking place. Information technologies are enabling to ordinary man that has a "world in the hand", to the extent that he becomes segment of industry information, that are available in all meridians and parallels. Combination of these circumstances inevitably expands the market, search for new markets, break barriers and prejudices of all kinds and shapes, and all are imposed "common language", a profit. Interestingly, all known cultures and civilizations in modern world are agreeable when it comes to profits. Internationalization is interesting, due to above reason and also its flyer leaves no one standing, but the person who is caught by same thing, in time not only participate in the creation of markets, but rather that market becomes small and underdeveloped, and goes on. The question where? The only answer is where the "LIFE" is.

Keywords: internationalization, brand, multinational companies, image, profit, globalization, monopoly, integration, strategy and franchising.

1. INTRODUCTION

Each company's aim is to sell and place its products and services outside the borders of native country. In order to be successful in that sense, it has to understand international marketing market completely [4].

In our near past conditions have been created for conquering new markets, first of all in Eastern Europe, China and Russia, as well as in other countries of the fallen socialism. By occurrence of the ensued tendency, the problems of the way of protecting own markets with the expansion of multinational companies and their competition has arisen. The newly opened markets represent an exceptional opportunity for selling goods and services, as well as for making profit.

As we are familiar with, with this process there comes to the economic growth and thus we have a case that the overall financial establishment wants a piece of the cake in this game. The global competition continues its expansion, so that a new need of understanding the rules of international concepts, problems and challenges is imposed, and they are reflected in:

- political- legal ambient for service marketing
- cultural ambient for service marketing

The greatest and acute problem imposed on financial giant-companies is instability and political disturbances, uncertainty of investing into such market, e.g. some countries of former Warsaw Agreement.

An unacceptable situation for investors is that the rules of the game are created by foreign countries governments, by means of which they are trying to protect their market. The result of it is the share of one third in disposing of the capital; the regulations limit the investors in planning and redesigning of the offer [3]. A goal of those barriers is protecting domestic industries and workers, and they can be of political and cultural nature and are reflected in the following forms:

- quantitative and qualitative border prohibitions and restrictions
- laws and regulations that are discriminating towards the foreign companies
- direct and indirect subvention for domestic local companies
- breach of international laws on copyright and trademark.

The foreign investors are mostly allowed entering a country, but limitations of their functioning are imposed on

them. This appearance is manifested through various restrictions, limitations on the goods quantity, problems in providing work permits, higher deposits than the standard, as well as application and appropriation of foreign technologies. The domestic raw materials problem also occurs, not guaranteeing quality of the products which undermines the image and the profit of the foreign company.

On the other side, some specific privileges and subventions are bestowed to domestic companies so that they would come more easily to the strategic optimum, and thus be in position to also come out of the domestic environment with the help of foreign companies.

It would be illusory to discuss on the concept of market globalization and not notice the imposed tactics of modern and rich capital in construction of the new world order, reflected solely through financial power resulting into the possession of force, and as a result of it is imposing "games beyond borders" regarding the international economic relations. In order to better acclimatize himself into the new environment, the international marketer studies the economy of the country to be invested in. The basic indices are the following:

- industrial structure
- income distribution.

The industrial structure integrates needs for goods and services, the level of income and employment. There are four types of industrial structures:

- a) subsisting economy- related to poorly developed countries, agrarian economy where the only performed is exchange of goods and services
- b) economy exporting raw materials- bountiful wealth of natural resources, however, without technology, represent the market for technologies (of outdated quality) and for luxurious goods
- c) industrialized economies- differentiates between the rich and moderately rich economy, having a need for importing of goods and services
- d) industrial economy- composed mainly by the exporters of goods and services, and they also exist as important users of goods and services.

During the market research, international marketers should also predict the perspective of the market development, period of the market repletion, and the main emphasis is put on the presence of the competition level as well as on a possibility of establishing monopoly at the mentioned market. There is also a need to predict the moves of the government and economy policy towards the local segment and to avoid the conflict and interference with their own preferences. As we know, even in case that happens, modern "peacekeepers" recourse to "ground sweeping" in their own characteristic way- by demonstrating the power and application of force.

Social values are reflected in social and cultural ambient and they are ranked into factors influencing in many ways on the buyer and user of services. As is known, a culture is defined as "conceptual basis of a society" and thus it comprises: language, values and standpoints, manners and customs, material culture, esthetics, education and social institutions. These culturological parameters are significant in contact with consumers and interaction with employees [6]. Marketers must study and have an insight in the ambient mental environment as well as the achievements in emancipation and the role of women in that society.

2. PECULIARITIES AND PROBLEMS OF INTERNATIONALIZATION OF SERVICES

The internationalization is at the mere focus of economic globalization and application of service industry and it unites geographically dispersed economic activities. The international trading with services is also improved by the scientific technological achievements and information system development. Designing of services presents a determinant of economic productivity and competitiveness, so that it requires inputs and investments into modern information networks (telecommunication, financing, etc.) and personnel education for managing the systems.

It has to be admitted that with all the efforts the level of selling services is not at an enviable level, there is a significant progress in transport and traveling sector, financial services (banking and insurance), construction industry and advanced computer technology.

Nowadays, a larger number of services are indivisible from the users, requiring production and consumption synchronization. There exists a problem of winning the confidence, adjusting to local needs and habits, as well as of understanding of the local culture. An emotional approach of the consumer and the service provider occurs, where empathy gains importance. So that a service would reach a high level, the service subject must be fitted with realizations of international business and marketing.

Here are the examples of applying tendencies of speeding the globalization by method of developed countries' economies, by method of concordance of services with the globalization development, by wiping out of the administrative borders under rush of technology (EEC) and unblocking of East Europe's market.

The service industry increasingly applies modern communication technologies and in that way avoids dependence on human resources.

By the new liberalization of services, the strategies of development directed towards foreign markets are com-

plemented [3]. In order to follow the dynamics trend of the service industry, the countries undergoing transition must design and enable the physical and human infra-structure speaking about application of internationalized services; a country itself has to have the following areas developed:

- the country must develop and maintain economic competitiveness
- the influence on trade regulations and promotion of reciprocity in trade
- incentives to companies towards the development of global orientation. The countries undergoing transition have to reorient the managerial teams and attune them according to demands of market economy.

Basic reasons for the internationalization of services are:

- ambition and loyalty of management
- knowledge and skills of a company
- impediments at a domestic market
- market possibilities at foreign market
- financial resources and costs
- risks and profits.

In order to follow and participate into globalization growth, the routes of technological advancement must be followed, global perspective at a company's level must be expanded and rules of game must be accepted by the governments of the countries under transition.

Most companies' goal is to exit to new markets and with it the globalization of its own services in order to increase the ranking of their services and raise the price. In a similar way, the consumers internationalize themselves by using consulting, accounting and market research, by installing technology into the local ambient and using domestic, cheap workforce and business premises, thus performing the transfer of technologies and knowledge.

The factors measuring the potential of services globalization are the following:

- a) contact with consumers-users of services
- b) customizing
- c) complexness-globalization of background services, logistics
- d) intensity of information inflow
- e) cultural adaptation
- f) industrious intensity.

The services of today are spread in the fields of transition from traditionally-local to internationalized-global industry. With this procedure national borders and prejudices are eliminated, thus enabling business operations at the international level.

3. STRATEGY OF SERVICES INTERNATIONALIZATION

Is manifested in the selection of:

1. Global integration- using the global advantages of its business operations during which it acts in a specific integration with itself alike (airline companies, film studios, car industry, etc.)
2. Local responsibility- in contact with local ambient adaptation and adjusting to local demands is required, especially for the services depending on the local ambient culture.

Modes of operations management formulate the forms of multinational, international, global and transnational strategy.

The multinational strategy is connected with local responsibility, based on the division of the services and goods in order to decrease the local authority resistance and avoid certain regulatory rules.

The international strategy adopts knowledge and experience from international basis with the tendency of achieving the envisaged goal. This is the way they protect themselves from the competition. The global strategies are reflected through new markets development, inclusion of new kinds of service industry, attraction of consumers from other countries, temporal updated following of the consumers.

In order that a company would accomplish the expansion it is developing the services at multiple places (multisite) and a larger number of services at one place (multiservice). It accomplishes by application of franchising. The more significant are services connected to telecommunication and internet, there with the contact is indirect with necessity of knowing the language and the culture of the users of services.

The strategies of overcoming temporal limitations (time race) imply domestic rules and regulations, determined and accepted in advance.

4. GLOBAL AND TRANSNATIONAL ORGANIZATION DEVELOPMENT

The internationalization has become a reality in modern society so that the services are reflected at the global

level. The service marketing presents an elaborate and planned adaptation of services, with the purpose of satisfying individual consumers' demands (customization) [5]. In order to be accepted, the global multinational companies alter their national identity, adapt to the ambient changes influencing the future. The global strategy is reflected in:

- high quality products and services provided through the world at low costs
- competitive conditions and markets by which they supply the raw materials, capital, technology, equipment and human resources

TQM is a process of ideal managerial principle singling out the organizational units with the purpose on the side of goods and services quality.

Transnational companies use the advantage of depth and width of talent and knowledge of the employees. The successfulness of this principle is based on giving authorization and competence, depending on the local possibility. The entrepreneur process represents taking the initiative by an individual while the competence is shaped by the ambient with collaborative behaviour.

5. SERVICES INTERNATIONALIZATION THROUGH FRANCHISING

The internationalization of processes in companies makes the main subject of international marketing research. Companies can be internationalized through the consumers tracking, and the second case is when companies are tracking the shares of the competitive service companies. The internationalization is based on rational decision-making and it consists of:

- The research phase, the service companies track and establish contact with the consumers
- The phase by which the service companies enter abroad
- The service company orients toward protection of the attained position on foreign markets
- The units of service company integrate according to the conditions of each individual market

The franchising as a strategy subserves the establishing of international relationships based on the marketing orientation; an increasing number of companies accept this approach. It represents a method of international distribution. Its greatest application is in the field of services, and it makes the primary method of internationalization of service business in the countries undergoing transition. We can consider it as a general strategy from the standpoint that:

- it represents the strategic choices made by the company
- it represents a form of strategic alliance of organizations themselves

The franchising appears through three general forms:

- a) product-trade name franchising
- b) conversion franchising
- c) integration of independent companies into the franchising system.

6. INTERNATIONALIZATION OF SERVICES THROUGH INTERNET

Along with the development of the information technologies there comes to the great application of personal computers, fax machines and telecommunications, the dramatic growth of the internet establishes the phase of development of electronic trade where in the franchising has a role of partnership and surpassing obstructions[1]. The convergence of computer and telecommunication technology advances the electronic networks development. Web surpasses traditional problems of international relations marketing, by which the services characteristics (intangibility, simultaneousness, heterogeneity and corruptibility) are combined in order to be better managed.

The internet provides huge possibilities to both small and large companies to sell their goods and services on the international market with the decrease of operational expenses. The internet marketing makes decisions on international prices, determines brands of goods and services, on the territory, the channels conflicts, distribution, organizational structure, competitors and means of payment.

The most powerful concept of on-line marketing is the Web, offering cheap, fast and technologically sophisticated tool for advertising goods and services, offering and ordering, promoting of policy philosophy and communication with the customers all over the world. The commercial functions of the internet:

1. the contact function- consumers and providers mutually exchange information;
2. the Internet in the function of global shopping center where arranging and distribution are performed;
3. the real future network lies in integration of the internet.

The lack of the Internet is a possibility of access by the malevolent users, impossibility of visual contact establishment and impossibility of accomplishing discretion.

REFERENCES

- [1] Božidarević. D i S.Salai, (1996) Marketing istraživanje. Savremena administracija
- [2] Burton. D. (1994) Financial Services and the Consumer, Routledge London
- [3] Buttle.F. (1996) Relationship Marketing, PCP
- [4] Kotler,Philip (1999), Kotler on Marketing-HowCreate,Win,and Dominate Markets,The Free Press, New York
- [5] Ljubojević, Č. Marketing usluga,(2004), Fabus, Novi Sad
- [6] Mašić, B i Lončarević, R.(2000) Menadžment –škole i novi nastupi. Ekonomski fakultet Banja Luka
- [7] Milosavljević,M. (1998) Marketing, Megatrend, Beograd.

FINANCIAL REPORTS ON SUCCESSFULNESS OF BANK'S OPERATIONS

Dalibor Misirača, Maja Kunić

University of Belgrade- Faculty of Economy, Belgrade, SERBIA

***Summary:** Banks perform their economic activity in order to achieve a profit, as well as other economic entities. They earn profit performing various tasks. All this should be accompanied by adequate accounting systems. Financial reports are the result of the bank accounting work, on the basis of which we learn what is the condition of relevant bank, as well as of the success of its operation. In order to estimate efficiency of the bank, we usually use the bank balance sheet, as a report on the financial condition and balance of success, which gives us the information about the income that the bank managed to achieve and expenditures that are covered in them. In addition, there are essential indicators, showing also show how much bank succeeds in achieving its business goals. The most important among them are the value of the share capital and ratio of the profitability.*

***Key words:** accounting reports, balance sheet, balance of success, profitability, the yield of the share capital, net interest margin, net income per share, the risk.*

1. INTRODUCTION

Financial reports are basic mean of transfer of important accounting information to their users. Based on them, the management of a bank makes important business decisions by which it wants to increase the successfulness of the banks' operations. The financial reports provide to the management information based on which it directs its activities. The information from the reports gives them approximate insight, of the past and present, and also of an adequate foundation based on which the future can be predicted [1].

Financial reports are basically source of information for all those found outside the bank itself, and it is of great significance to them to be acquainted with operations of the bank. First of all, they are the shareholders. By buying shares they become the owners of the bank, i.e. its capital. Physical and legal entities become shareholders because of dividends, i.e. the share bearing income. That is why it is in their interest that the bank operates as successful as possible, creating the basis for actualizing and disbursement of the dividends. Hence, the financial reports are extremely important for this grouping, because they help identification of the state and successfulness of the bank's operations.

The state and its bodies also use financial reports. The financial sector is extremely significant for functioning of the overall system of a country. Any greater disturbance of this sector can cause serious consequences to the overall national economy, even broader. That is why the state is interested in financial reports of the banks. In that way, the state acts preventively on the banking sector.

Besides management, shareholders and state, also interested for financial reports of banks are different creditors, suppliers, etc. Just because of the great number of subjects using them, the financial reports have a general application.

Two of the most important financial reports of a bank are the balance statement and income statement. They represent basic reports that are the measure to the management of the bank, to the clients and state bodies. Besides them, there are also two more reports that credit analysts and managers use during estimations of changes in assets of the bank, regarding usage and increase of funds' volume: the reports on funds flow and reports on share capital.

2. BALANCE STATEMENT AND INCOME STATEMENT AS REPORTS ON SUCCESSFULNESS OF BANK'S OPERATIONS

For knowledge on the banking operations a condition is to get to know the bank's balance. It shows us in a systematic and objective way the financial state of the bank. The financial reports are not the perfect image of the actual state, but the best attempt of the bank's accounting to present the actual state. The dimension of balance and income state of the bank are indicators of its possibilities to survive or fail [2].

"Financial reports are "pointers" showing us the position which banks or other financial institutions had in the past, have today and as well as in what direction will they be moving in the future. If presented and interpreted in a regular way, financial reports are of priceless value showing the successful operations or failure of the relative institution" [5].

According to some authors, the income statement is the most important financial report because it shows whether some bank has operated profitably. The income statement and report on cash flow cover the same time span, and the balance sheet contains a concrete date it is related to. The report on the cash flow is oriented towards the review of the bank's liquidity purpose. Namely, the maintenance of current liquidity is the cornerstone of a successful and stable bank's operations. The report on cash flow is oriented towards control of the bank's liquidity aim.

Balance sheet (Report on financial state)

Assets (using of the bank's funds)	Liabilities (sources of the bank's funds)
<ul style="list-style-type: none"> - Cash and deposits at other institutions - Investments into securities - Loans and leases 	<ul style="list-style-type: none"> - Deposits from the citizens - Non-deposit borrowings - Share capital of the shareholders

The total sources of the bank's funds have to be equal to the total usage of the bank's funds, i.e. the total assets have to be equal to the total liabilities increased by the share capital.

Income statement (report on incomes and expenditures)

Incomes	Expenditures
Income per loans	Expenditures per deposits
Income per securities	Expenditures per non-deposit
Income from deposit at other institutions	borrowings
Income from provisions for various types of services	Expenditures related to the employees
	Overhead costs
	Taxations

The total incomes decreased by the total expenditures have to be equal to the net incomes (income) of the bank. The balances include state and changes in funds and sources of the bank's funds, incomes, expenditures and the financial outcome. The state and change in funds are found within the balance sheet, whereas the incomes and expenditures are shown through the income statement. "Since the funds and the sources are the basis of activity of any economic subject, even of the bank, the balance sheet is firstly methodologically processed and then the income statement" [2, p. 95].

Balance sheet is called *Report on financial state* of a bank on a specific date. It provides the review of operations in the sense of control and sources of funds. More precisely, it is a review of financial state and position of a bank [2].

Balance sheet is the review of incomes, expenditures and financial outcome as the difference between the two, accomplished in a specific time span. The final purpose of creating income statement is determining of the total financial outcome of bank's operations. The outcome can be positive- profit or negative- loss. The gain is accomplished when the total incomes of the bank in a specific time span are greater than the total expenditures for the same period. If the bank should realize greater expenditures than incomes, then the loss is accomplished. [3].

Profit as a positive financial outcome is further allotted to dividends of the bank's shareholders, to the reserves increase, taxes, increase of banking capital, etc. Banks usually separate one part of the profit as unallocated profit, enabling the bank to increase the scope of business and to develop further.

The loss is shown as decrease of the bank's own capital. The most frequent causes of loss could be:

- High amounts of due uncollectible accounts receivable on the basis of interests
- Debtor's illiquidity
- High amounts of negative exchange rate difference

The loss is compensated from the permanent sources, firstly from the reserves and if that does not suffice also from its own capital.

Report on share capital of banks is a useful source of information for different users of the bank's financial reports. It reveals the changes in all important items and shows what kind of changes occurred during a specific period of time regarding the funds that the owner has invested into the bank. This report is extremely important for state bodies and bank's creditors. Namely, based on it we could see any change in the bank's capital during execution of a certain transaction. The bank's capital is, first of all, the guarantee of bank's deponents and creditors' protection. It also absorbs the operation losses.

If there should come to the bank's capital decrease, it would seriously disturb the stability of the bank itself. It could cause serious problems, even bring the negative influence on the financial market itself. Any instability is an extremely serious problem that needs to be resolved by the state. Thus a great interest in this financial report exists. It is the review of all significant changes in bank's capital items.

3. ANALYSIS OF BANK'S FINANCIAL REPORTS

The primary aim of the analysis of financial reports of a bank is to find out the level of risk in banking operations. Namely, during its operations the bank encounters with compete series of risk, some of which being "hidden" and thereat can represent a serious threat to normal operations of the bank. For users of financial reports it is important to find out the risks on time in order to foresee the future bank's operations. With the development of financial market, banks operate with significantly greater risks than they used to [4]. The creditors and investors, as the important users of financial reports use the analysis in order to:

1. Estimate the previous successfulness and the current financial position
2. Estimate the future potential and risk related to the potential.

The bank should present its financial reports with consistent application of the business and accounting policy and according to the International Accounting standards. The standards used for the analysis are:

- empirical criteria
- previous successfulness of the bank
- branch norms.

Owing to the standards, by analyzing the financial reports we can come to useful information on successfulness of a bank's operation any time.

For estimating a bank's successfulness we use percentage or ratio analysis. With the percentage analysis, the elements of balance sheets and income statements are expressed in percent of the total. Of greater significance is the ratio analysis. For this analysis we use different indicators (ratio numbers) such as: liquidity and portfolio management, loans portfolio, obligations and capital management, efficiency and productivity, profitability.

"Financial indicators (*financial ratios*) represent relative relations that should perceive in advance the level of uncertainty of a company's capability to return the funds obtained through the credits" [2, p. 101].

Since the main dimensions of bank's operations are profitability and risk, further in the paper we will elaborate the risk and indicators of bank's successfulness- market value of the shares as an indicator of successful business operations of large banks and profitability coefficients as indicators of successful business operations of small banks.

3.1. Share capital value

It has already been mentioned that the main purpose of organizing banks is maximizing the value of shareholders' wealth, invested into the company with acceptable levels of risks. Such aggressively set purposes require from the bank to search for new opportunities and possibilities for income increase constantly, the greater efficiency in operations and a more effective planning and control. Let us begin with the shares value!

A price of bank's share is the function of banking assets value. The banking assets value is obtained by putting into ratio the expected inflow of the shareholders' dividends and the discount factor (based on minimally necessary market interest rate on the share capital with the given level of risk of each bank).

The minimum acceptable income rate consists of two components- interest rate without risk and bonus for share capital risk. This can be presented by the following formula:

$$P_0 = \sum \frac{E(D_T)}{(1 + p)}, \quad \text{where}$$

$E(D_t)$ - represent the shareholders' dividends that need to be effected in the following period, discounted at minimum acceptable income rate

p – is an acceptable level of risk

If it is expected that the dividends effected to the shareholders increase, the price of share capital can be represented by the formula:

$$P_0 = D_1 / (p - g), \quad \text{where}$$

D_1 - the expected dividend on the share capital in period 1

p – discounted rate maintaining the given risk level, related to the share capital investments

g – the constant expected growth rate according to which the share capital dividends will grow every year.

The share capital value is the best indicator of large banks' operational success, because it maintains the bank's solvency. Speaking of the small banks, they cannot trade every day with their share capital, and thus this indicator of operational success is not available to them. The small banks use different profitability coefficients as the indicators of operational success. These indicators are set in different periods of time and they differ from market to market.

3.2. Profitability coefficients

The most important measures of the profitability coefficient are:

1. *Profit on equity (share capital) (POE)*
2. *Profit on assets (POA)*
3. *Net interest margin*
4. *Net margin non-interest bearing*
5. *Net margin of operations*
6. *Net profit per share of the basic principal amount*

Profit on equity is a measure of income rate overflowing to the bank's shareholders. It provides an approximate value of net profit received by the shareholders on the basis of investment their capital into the bank.

Profit on assets shows the extent of the management capability of turning the bank's assets into the net profit.

Net margin of operations, net interest margin and net non-interest bearing margin are measures of profitability and operations effectiveness. They show to what extent was the bank's management capable of maintaining the income growth related to the increased expenses. The net interest covering is an indicator of the magnitude of range between the income interest and interest on expenses that the manager succeeded to accomplish by constant control. The interest-free margin measures the amount of interest-free incomes coming from collection of services of deposits and other incomes from the services the bank is able to collect, which is relative compared to the accrued magnitude of expenses from interest-free operations.

The second measure related to earning efficiency managed by the bank is called profit expansion and it shows the efficiency of the bank's intermediation in borrowing and granting credits. The profit expansion can be calculated in the following way:

-Total profit from interest/ Total earning from assets

-Total interest on expenses/ Total bank's liability bearing the interest

Profit expansion

The most frequently used indicators of profitability are: *Profit on equity* and *Profit on assets*

Profit on equity is obtained by the following formula:

$$POE = \text{Net income after taxation} / \text{Total share capital}$$

Profit on assets is obtained by the formula:

$$POA = \text{Net income after taxation} / \text{Total assets}$$

The two indicators are mutually connected by the following formula:

$$POE = POA * (\text{Total assets} / \text{total share capital accounts})$$

If we include the formula of net income on assets and if we know that the net income is equal to the difference between the total income and total operations costs, we obtain the following formula:

$$\text{POE} = (\text{Total income} - \text{Total operational costs} - \text{Taxes}) / \text{Total assets} * \text{Total assets} / \text{Total share capital accounts}$$

To the bank's shareholders the income rate is highly sensitive on the way their assets are financed- has it come to greater indebtedness or has the ownership capital been used more. Even the bank with low rate of income on property can achieve a relatively high income rate from equity through indebtedness and with minimum usage of the ownership capital.

Let us return to the formula for profitability studying, related to the profit on equity!

$$\text{POE} = \frac{\text{net profit after taxation}}{\text{total operational profit}} \times \frac{\text{total operational profit}}{\text{total assets}} \times \frac{\text{total assets}}{\text{total equity}}$$

The first part of the formula represents *net margin of bank's profit*, the second part the *degree of utilization of the bank's assets*, and the third is a *multiplier of the bank's share capital* (of the bank's equity).

By dividing the profitability coefficient into its constituent parts shows the causes of difficulties in accomplishing profit and to the point where in the management needs to search for possible solutions to the problems.

Net margin of profit maintains the effectiveness of management costs and cost policy for providing services. It shows us that banks providing services could increase their profit and income rate to the shareholders, if they succeed in controlling the expenses and maximizing the incomes. The degree of utilization represents policy of portfolio management, especially of profit on assets from assets. The multiplier of equity maintains the policy of financing the selected sources of the bank's financing. It is a direct measure of the financial leverage and shows how many dollars in the assets must be supported by each dollar of equity and what is the amount of bank's funds that must be separated at the debit balance. Due to the fact that the equity has to cover the loss from the assets, the greater the multiplier the more banks is subjected to the risk of failure. However, the greater multiplier also represents a greater potential of getting higher rates of profit for the shareholders" [1, p. 154].

4. BANKING OPERATION RISKS

Bankers can be interested in realizing a high value of the share and high profitability, but first of all, one should take into account the risk one enters into. The bank's operations present uncertainty related to various cases, such as, e.g. whether the price of bank's share and its incomes would grow, or whether some bank will lose some of its income [2]. There are six types of risks encountered by the bank's managers. They are:

- *The credit risk*
- *The interest rate risk*
- *The liquidity risk*
- *The market risk*
- *The profit risk*
- *The capital risk*

The credit risk represents the likelihood of the bank's funds, especially loans, will lose its value, and i.e. become worthless. To what extent the bank faces the credit risk can be seen through four indicators:

- Coefficient of the ratio of illiquid assets and total loans
- Coefficient of the ratio of net written-off loans and of total loans
- Coefficient of the ratio of loss compensation from the loans operations and of total loans
- Coefficient of the ratio of illiquid assets and of the share capital

The growth of these coefficients means also a greater credit risk and causes worry of the bank's managers, because the closer is the failure in the bank's operations. The issue they should pay special attention to is the coefficient of the ratio of total loans value and total deposits, where the growth of unsuccessful loans creates greater risk for depositors, and the deposits have to be carefully protected.

The interest rate risk. It is known that banks collect interest for its placements (loans), and they pay the interest on deposits or funds borrowed from another financial institution. In this case, a greater success (the banking profit) will be accomplished if the interest incomes are higher than the expenses on the basis of interest. Whether and to what extent it will be accomplished depends on the level of interest rate and the assets and liabilities structure. Thus, for example, the interest rate increase will decrease the banking profit if the assets and liabilities structure is such that interest costs, paid for the borrowed funds, rise faster than the income rates on loans. The influence of the change of interest rates on the banking profit is called the *interest rate risk*.

In order to protect the profit from negative changes in interest rates, the managers demand that the covering of net interest of the bank to remain fixed, expressed by the following formula:

$$\text{NIM} = \frac{\text{net income from interest after costs}}{\text{total income-bearing assets}}$$

In order to decrease the risk of loss of net value of the assets and liabilities during changes of interest rates, it is important to avoid the disparity between duration of the assets' portfolio of the bank related to the duration of its liabilities portfolio [1, p. 227].

The liquidity risk represents uncertainty of whether the bank will have enough funds to duly settle its obligations. The bankers have to be careful and aware that there should be enough cash to provide covering of all debts at the moment of the funds withdrawal by the clients. The exposure to the liquidity risk can be seen through:

- Coefficient of the ratio of purchased funds and the total assets
- Coefficient of the ratio of cash and due debt and total assets
- Coefficient of the ratio of cash funds and total assets.

The market risk relates to constant unstable state in economies oriented to markets. The changes occurring are changes of market interest rate and the price of foreign currency, changeable public demand of banking services, monetary policy changes, and similar.

The market risk indicators are:

- Coefficient of the ratio of bookkeeping value of assets and the estimated market value of the same assets
- Coefficient of the ratio of bookkeeping value of equity and market value of the same equity
- Coefficient of the ratio of the securities' market value and their bookkeeping value

The profit risk is lower limit of bank's operational risk, i.e. its net profit after covering all of the expenses. The changes in law or changes of economic conditions of purchasing could be the cause of change in bank's profit. The bank's shareholders are always faced with a possibility of profit downfall, causing the fall in value of shares. If the shareholders foresee that the profit risk could be present for a longer period of time in the future, they will ask for compensation for the additional risk in the form of increased gains from the bank or they will transfer their money into some other investment.

The capital risk is a risk occurring if the bank excessively grants bad loans or if the securities portfolio loses its market value, due to it comes to capital loss. The equity capital then becomes burdened and insufficient for the loss covering. If investors become aware of this problem, they could ask back their funds and that it comes to the mass outflow of the bank's funds so that it becomes illiquid. In order to attract the necessary capital, the bank is forced to pay higher interests on loans. This is a phenomenon that economists call *market discipline* – the interest and prices rates on the financial market function against the institution facing the problem [3].

Apart from these risks in the bank's operation there are also present other risks such as: the inflation risk, the exchange rate change, the political risk, the criminal risk, etc. all of the risks bear with themselves a certain degree of endangering the bank's stability, and with it on influence of successful operation of such a financial institution.

5. CONCLUSION

Nowadays it is almost unimaginable that an economical system could function without the banking sector. Banks have become basis of stable and efficient economy. They are just the ones that provide the capital to other economic subjects. Owing to it, they perform their activities, leading to development of the overall economy.

Banking operations is followed by the adequate accounting. Financial reports appear as the product of work of the accounting. They enable us to assure into bank's operations in a systematic and objective way. Those reports should be a true and accurate account of the bank's financial position for a definite period of time. The main reports issued by the banks are: the balance sheet, the income statement and reports on the funds flow. With them there could appear also additional reports explaining in more precise manner specific segments of banking operations. By analyzing the financial reports we come to information based on which we can estimate the successfulness of each individual bank. It enables us to estimate the risks of investing into such bank, and thus of the possibility of profit. The analysis gives us the possibility of estimating the bank's solvency. Good estimates are the guarantee of survival and further development for the bank.

Banks have to perform more frequently the estimation of their operations and analyze the reasons of any problems that could come across during the operations. Two basic dimensions of operations are profitability and

risk. The indicator of successful operations of large banks is the market value of their shares, and the best indicators of the successful operations the small banks are the profitability coefficients. The profitability is always accompanied by certain risks, thus the managers of banks have to be aware of those risks and have to know how to narrow them to the least possible level.

REFERENCES

- [1] Peter S. Rose, Sylvia C. Hudgins, „Банкарски менаџмент и финансијске услуге“, Београд, 2005.
- [2] Милутин Ћировић, „Банкарство“, Београд, 2001.
- [3] Радојко Лукић, „Банкарско рачуноводство“, Универзитет у Београду – Економски факултет, Београд, 2000.
- [4] Александар Живковић, Борко Крстић, Петар Бојовић, „Монетарна економија и банкарство“, Завод за уџбенике и наставна средства, Београд, 2001.
- [5] Јован Родић, „Теорија и анализа биланса“, Нови Београд, 1997.
- [6] Gray / Needles „Финансијско рачуноводство – општи приступ“, Савез рачуновођа и ревизора Републике Српске, Бања Лука, 2002.

TRANSFORMATIONAL PROCESSES AND PUBLIC COMPANIES IN THE PROCESS OF GLOBALIZATION

Veroljub Mladenović

High school vocational studies for the management of traffic, Nis, Serbia

***Summary:** Globalization is essentially a process of creating a single economic, political and cultural spaces of our planet, that is linking all the concrete companies in the global society. " State of interdependence and dependence, the dominant characteristic of development in the contemporary world. The aim of this paper is to point out the significance and importance transformacionih process and public companies, taking into account the process of globalization as the civilizational and historical legitimacy in the development of the human species. Public companies formed to protect the country and accomplish the goals and interests of vital importance for funkcionisanje economic activities and life of citizens. Given the importance and višestranost transformacionih processes taking place in public companies, the paper analyzed different forms of these processes (restructuring, privatization) and the role of management in them, as well as its impact on the status and participation in the trade flows of public companies.*

Key words: transformational processes, privatization, public enterprises, management, globalization.

1. INTRODUCTION

Beginning of the twenty-first century and third millennium began in the sign of globalization and attempts to examine the consequences of which leads to. From an economic point of view, defined in a broader sense, it involves linking national economies into the world economy through world markets, while the narrower sense implies cross-border business enterprises [1]. "This is no ordinary interdependence of economies, but a system based on strict rules that ensure the free manufacturing, distribution and consumption on a world scale" [3]. From the sociological point of view, globalization can be defined as the process of connecting based on economic and technological association of companies in special relations of interdependence and cultural links, based on new information technologies and means of communication, so that creates a unique global society and the consciousness of belonging to that society. With historical development, globalization is a civilizational and historical legitimacy in the development of the human species, which enabled the development of productive man power and resources interpersonal and inter-social communication based on science (computer technology, optical cables, satellite communications and mobile phones) and as such is determined as the process of connecting, the permeation of "uniting the world and even in spite of all its physical, spiritual, the existing diversity and diversity [10]".

Key features of each legal system, social and civil systems are expressed through the property as a central institution and the key category of every society, because many other institutions are based, essentially designed and developed especially in relation to the property, the type and nature of the property as a legally regulated relationships. Property plays a major role in post-socialist transformations. Ownership transformation, ie transformation of social and state property in private through the processes of privatization and restructuring of the economy is a complex social enterprise. On the other hand, to protect and ensure their inereze the functioning of the vital sectors of economic activity, the state established public companies. Under the activities of general interest, which are of great importance for the country and the life of citizens, activities that are considered as such by law in certain areas: production, distribution and transmission of electricity, coal production and processing, research, production, processing, transportation and distribution of petroleum, liquid natural gas, transportation of petroleum, railway, postal and air transport, telecommunications, information, use,

management, protection and promotion of goods of general interest (water, roads, mineral deposits, forests, navigable rivers, lakes, coast, spas, game), and communal activities.

Takes special attention to the importance of the role of management in the management of public enterprises. Management is the primary function of every organization, because this process provides the indispensable work and business efficiency and establish long-term stability in the whole process of organization of work. Desired position in the market and the successful growth and development organization, also can not be achieved without effective management with functions that are in firm connection. Management is essential in all public enterprises as well as structural, formal organizations, where the physical and human resources combined in the business to achieve the most favorable pre-mandated or desired goals.

2. ECONOMIC ASPECT OF TRANSFORMATION

Economic efficiency of capital resulting from ownership to ownership restructuring or privatization is imperative to further social and economic development. Social capital as an expression of social ownership, there is no direct owner as the holder of the risk, but no beneficial effects. Privatization is the process of transferring ownership of state assets to the private sector, a major economic goal of privatization of enterprises is to create real private owners of capital. It gets the momentum at the moment of great reforms in the countries of Central and Eastern Europe during the first half of 90-year (privatized more than 50 thousand medium and large enterprises and over 150 thousand small), which are conducted in extremely difficult economic and social conditions in order to that the appropriate incentive to effective restructuring. The objectives of privatization are different in countries where the prevailing private sector, where privatization is a new step in modernization, while in countries in transition and radical means a very complex economic and social transformations. It will encourage changes in corporate governance and the creation of a new professional management, and provide recapitalization, the introduction of new technologies, ideas, and raising the level of expertise, which ultimately leads to increased productivity. The ultimate goal is to create a market economy to achieve full social and market efficiency, and the transformation of ownership is a means for achieving this transformation. Also, it is the foundation of one of the dynamic process of permanent restructuring of capital that is based on the principle of respect for the principles of private initiative and free market system to achieve continuous private capital efficiency in the creation of profit. So, in creating new social, political, state and private systems, privatization should serve as a means of accelerating the process of transition to a market economy and improve the efficiency of using resources.

The transition process is directed towards long-term social and economic transformation, which includes more activities in the adjustment of economic reform policies and legislation in order to achieve macroeconomic stability and liberalization of economic activity. Transition, or even privatization can not be successfully implemented without the trust and citizen participation.

3. RESTRUCTURING AS A TRANSFORMATIONAL PROCESS

The economic literature often defines the concept of restructuring as an entrepreneurial phase of the crisis in which the symptoms are visible but not yet overcome the crisis began. But according to some authors the concept of restructuring in a comprehensive sense means the sum of active and reactive measures that specifically aim to adjust the structure of entrepreneurial activity and changes in market conditions continuing operations of the main core business. These measures may be purely operational or financial and can be applied only in certain areas, sections and groups of entrepreneurial business. Enterprise as an economic unit has primarily economic objectives by which the functioning of the water and directs, and in order to achieve this, his organization of the goals must be adjusted. If the company does not meet its economic goals that are usually put out, disappearing from the market and economic scene. Any disruption in its functioning, the signal for certain corrections and changes in his behavior, or changes in the structure of the company. Short-term disruptions enterprise adapts to changes its behavior, adjusting its operation made temporary changes. However, when new long-term circumstances, not in advance of limited duration, a company rule changes, except for its structure and behavior. Restructuring becomes a response to new challenges from the environment, or the built-in obstacles to realization of the structure of a higher level of efficiency, or obstacles in the development of enterprises. Restructuring is the process of establishing a new company structure in which none of its existing substructure does not remain in the existing form, status, scope, importance and relationship to other substructure, according to the company as a system and the individual elements of the environment. In doing so, some parts of the company puts out because they have no place in the new structure of the enterprise, others are due to diminish the importance of reducing the role, some increase the role and importance, and finally formed a new subsystems with greater or lesser significance. Changing the lines of communication, accountability, centralization and

decentralization relations, hierarchies. All subsystems are placed in new positions and relationships, which leads to a new quality in the structure and functioning of the company effects the functioning of its economy. Most commonly applied measures of organized restructuring of enterprises are reducing inventories, reducing receivables, factoring of receivables sales, credit limit and attempt to consent to buy customers for cash, sale of assets that do not require the company; rent unused spaces such as warehouses, plants, warehouses; suspension of investments that are not necessarily required, reducing costs in the area of procurement of materials, reduction of personal expenses-stop employment, prohibition of overtime work, premature retirement, forced vacations, their own engagement with other employers' employees, cancel contracts and grants, distribution of working hours more flexible butter business hours, granting unpaid leave, sleep hours, reducing the level of the hierarchy of leadership, sales asset or part of the action, acquisition, merger-fusion, separate and isolate parts of the company, changes in management structure, changes in legal form of the model-complete sale of assets as a functional whole ; increase or decrease of capital; ravnjanje agreement or forced to employees; repairs by taking long, the conversion of debt into capital base, leaving a for-profit business; model of separation of activities of what their services and the separation of production and service parts business, selling or closing parts, model insolvency bankruptcy, closing irrentable parts subsidiary company, liquidation of unnecessary parts of the company.

4. PRIVATIZATION AS A TRANSFORMATIONAL PROCESS

Developed countries as a condition for cooperation insist on deregulation, restructuring and privatization, all former communist countries have launched extensive and radical changes which is the center of the privatization process. The privatization process has so far carried out over four basic models with a large number of variants and their combinations. These models are:

- sales,
- gifts,
- transfer of capital to institutional investors
- denationalization.

Sale is a traditional method of privatization, which is usually exercised in the West, although many supporters of this method in countries in transition. Significant advantages of this method are the following:

- the state gets the funds, which annihilates her need to cover budget deficits by raising taxes, and at the same time, it is free of commitment of further subventioning irrentable sectors.
- With selling, it is possible to rapidly attract foreign investors and partially solve the deficit of its own accumulations.
- The easiest way to get from selling the actual owners are interested in restructuring and development of larger companies due to the desire to increase capital investment, which is activated and the tax liabilities of enterprises privatized.

Models are selling more varieties of which should be noted:

- a) The public sale of shares - assumed expression of the entire capital of the company in action, with the word on the sale of shares or sale of the primary market for the issued shares that are in possession of the state on the secondary market. It also assumes the company's profitability, reliable information on the creditworthiness of companies and business policy, and developed infrastructure of the capital market.
- b) Sale of assets of companies and rental companies - this method it is possible to sell part of property, and the rest of the company reorganize and make profitable, or sell any assets that lead to the liquidation of existing and establishment of new enterprises. Additional possibility of restructuring irrentable company that transfers assets of state enterprises to private owners and in return get the action in this new enterprise. Lease companies through leasing, franchising, giving a concession contract or the conclusion of management that is expected to rehabilitation and profit growth potential, does not mean privatization, but an attempt to do so by restructuring the company profitable, and then privatized some of the known techniques.
- c) Private sales actions - applies in cases where the state is particularly interested in the functioning of enterprises and selection of potential customers based on certain criteria. It is suitable for the restructuring of bad companies are selected as the new owners who possess knowledge and financial power to significantly improve operations, and the conclusion of specific additional arrangements relating to future operations (customs, taxes, transfer of profits) to avoid the failure of sales due to the undeveloped capital markets.
- d) The sale of employees - The model is especially suitable for companies in the difficulties with the lack of financial strength, where the most commonly used "financial levers," that is formed by the Trust Fund by taking loans from the bank on the basis of which the workers are paying off action, a property company serves as the foundation for the loan repayment. The efficiency of this method depends primarily from the sales management and motivation of employees and their expectations that they will improve the financial

effect of future operations to make this profitable transaction, or if there is a fear of layoffs if the company is the buyer side. In addition to selling classical action for the sale of capital is the most attractive method of privatization, so-called. recapitalization, or issue of shares to increase capital of the company, with senior discounts are granted at the expense of social capital.

Gifts are free transfer of property rights that can be done through the division of shares to employees and citizens of the division of shares (vouchers). The division of shares to employees has its origins in the thesis that companies belonging to workers and that the growth of capital is a consequences of renunciation of workers and therefore it is fair that actions and schedules workers in enterprises that are privatized. So would privatization conducted quickly and easily, to develop employee akcionarstvo and increase efficiency because increased interest in the rational management. The key to distribution is related to the amount plate. Mane this method are unresolved governance and economic injustice, because the property is not only assets employed in the enterprise.

To remove the serious weaknesses of the division of assets to employees developed the concept of separation of state or social property of the citizens of broadcasting privatizacionog money (certificates, vouchers), which is distributed to citizens by a quota system and that serves as a proxy for missing the purchasing power, which is also to materialize the view that existing property belongs to everyone.

Transfer of capital to institutional investors. There are several ideas about the functioning of institutional investors in the process of transformation:

- a) Total state ownership is transferred to the more funds that share of each company and thus effectively exercise control administration. Another idea is that having one of the branches in a transfer fund. Actions of these funds would be distributed to citizens, so be simultaneously resolved the problem of management and ownerships. Approx key is control over the administration of these funds would be relatively easily fallen under the influence of politics, because people would not be able to control the agents.
- b) The total fund is transferred to the Privatization Agency (funds) that restructuring of enterprises, make them efficient and later sold to other investors. All revenues to the State agency or the agency actions were divided citizens. Agencies could not raise any capital debit, by issuing new shares or gains because their function is temporary.
- c) The total capital is transferred to the funds which are financed from general social needs (pensions, insurance, health) as a model in which tries to solve problems and management and financing of key social services. There are numerous weaknesses in this model so that it does not solve the key problems of transition-personalization property.
- d) Mixed model solution to the problem seen in the transfer of capital on certain key employees in private pension funds, banks and insurance companies, mutual funds, the state, which would get dispersed, but not ownership of the automated structure companies. This would have formed the core of stable ownership that effectively controls the government and leads to increased efficiency.

Denationalization is imposed as one of the basic model of privatization of property after the change of Planning and the transition to private property, because it is completely natural to return the property to former owners or their heirs. However, this model of privatization is often accompanied by practical difficulties, because a large part of the property is either missing or works in a completely changed the physical and functional form. The practical procedures usually apply the following forms:

- a) physical returning nationalized property that the most of the properties are (houses, business premises, building and agricultural land).
- b) Cash compensation, because the former nationalized enterprises greatly changed its original value so it is difficult to isolate the core nationalized, which would be a bad deal for the former owners and current users.
- c) Indemnity actions, as the current budgets of the countries in transition can be difficult to submit The financial effect of denationalization, so that instead of physical or monetary return imavine former owners are compensated by providing action and share in companies that began the development of nationalization.

Denationalization in most former communist countries, high political favors, while its practical implementation burdened many problems which caused delay and general delay in the process of privatization. Denationalization has multiple major political effects of economic, because the proportion of the assets of the former nationalized industry is relatively small.

5. IMPORTANCE OF MANAGEMENT FOR EFFECTIVE MANAGEMENT OF PUBLIC ENTERPRISES

Public enterprises are business-technology systems and organizational-economic units through which in accordance with the constitution and the law achieves the public interest in all those activities that achieve a sustainable market, technological and market acceptable ambient customized public office. Usually the question of large enterprises in relation to their functional, organizational, managerial, communication and technological

features, which establishes the state or local governments. As with other companies and at public primary objective is growth and development. But in public companies must take account of even a single goal that is specific, and it is the realization of public interest. Therefore, public companies covering a public function and significantly different types of activity: capital intensive, labor intensive, biological, and social development and natural resources. In fact, public interest is to preserve the substance, that the sustainable investment programs to ensure a rational business. Important place in the work of public enterprises is the management who work in conditions that are complex and within the company in relation to the environment, where appropriate for their work and the executive and legislative authorities. Therefore the main task of managers in public companies to best use the resources of enterprises continuously variable environment. In relation to this can be concluded that a manager who works with and through other people coordinating activities related to work, so that they perform efficiently and effectively, to achieve organizational goals [12]. This means that management is working with the task to find the optimal cutoff value between satisfying the interests of society as a whole and the interests of the company as the subject of economic activity. Therefore, also emphasized the importance of company strategy, as the basic way of achieving goals related to business decisions regulating the relationship between public companies with environment. It can be said that the management framework guiding the business enterprises in the variable environment and a management toward defined objectives. The essence and basic content of public companies provide top management that is largely responsible for the performance of these companies. Although here to add the fact that the previous practice has shown that the public sector often achieves a lower rate of return than other subjects of economic activity and that the managers in the public sector less effort to get the most impact on business results, as have the ability to show any results as successful, due to financial support from the embankment of the State. Since the state is very interested in working in companies in certain economic circles were comments that managers of public companies too elaborated and they are just mere transmission of the state. However, the evolution of the company is changing the nature and tasks of enterprise management. Enterprise in a market economy achieves its mission through the interaction with customers, competitors and government, so that the management companies invited to present their strategic vision, inventiveness and willingness of the business of underwriting, create the future through meeting the needs of consumers. Under the influence of the globalization of markets and technology, in modern enterprises are increasingly seen as a network of strategic partnerships. On the other hand, dynamic market characterized by risk and uncertainty, *viševarijantno* requires planning and flexibility. In such conditions, the tasks of modern management of public companies are positioning the company in the market to identify comparative advantages and responsibilities of companies in relation to the company, effective management, profitability, innovation and new technologies, development of human resources. Many authors in the field of management increasingly emphasize the importance of the concept of knowledge management and learning organization, in order to effectuate the prevention of many possible future harmful activity and reduce the negative effects of environmental activities, and optimize the positive functions of certain factors and increase your chances for a better and successful operation of public companies. All this confirms the statement that management is a dynamic process that must have an active attitude towards the environment and its role as a developed system of information, correct insight into the strengths and weaknesses in its internal and external configurations.

6. MANAGEMENT OF PUBLIC ENTERPRISES IN GLOBALIZATION PROCESSES

In terms of globalization and the single market, the public administration in each country to become a significant factor in the implementation of economic activities, cross-border ethnic states. Functioning of public administration involves the implementation of democratic principles and the application of modern management principles, which guarantee the achievement of real social dialogue within the administration, and legal use of public finances, followed by the action of control, evaluation and reporting. Modern, democratic principles of public sector management includes activities related: the reform of legislation, budgeting and public sector management, development and equal participation of citizens in formulating the policies and the fight with corruption in all segments of the public sector. Social stability and economic guarantees and valid regulations are the main criteria of good governance. Weak public administration, combined with the low level achieved the rule of law in terms of low material standards of a large portion of the population and high unemployment, obtaining a job in public administration based on political affiliation is a common form of discrimination and how to control social processes, by the standards of developed democratic countries. Professionalization and depoliticization of public administration and its modernization in the direction of creating an efficient service which operates in the interests of all citizens and create conditions for work and business is one of the preconditions for democratic transformation, stabilization and creation of new international position of each country. There are three basic groups of elements on which rests the construction of modern public administration:

- Legal framework for the arrangement of the status and position of civil servants;

- Qualified staff
- Working environment that is closely linked with the principles of modernization.

Today, many countries pass through the complex processes of change in the public sector, which is particularly related to the increasingly rigorous restrictions on the total costs and salaries. There are thought to reduce wages and other costs in the public sector contributes to macroeconomic stability. However, the reduction of wages below a certain level causes countereffects affecting the motivation of staff, as well as the ability to maintain existing human resources and recruiting new staff. So it is expected to be highly professional staff, dissatisfied with the salaries and remuneration system, move to the private sector, where the system is far better reward. Low salaries are reflected negatively on the morale of employees who become subject to corruption, which has far-reaching consequences in the country. It should be noted that managers also have a responsibility to promote fairness in employment and to enable the public sector to preserve and maintain the necessary staff.

7. CONCLUSION

Globalized world, should be arranged so that it is possible to regulate the world economic flows, subject to the control of financial capital and transnational corporations with the organization and recognition of new institutions of global governance.

No quick changes and privatization, the danger is not only staying in the old way of managing enterprises, but economic stagnation, political instability, in which different interest groups influence the government and the state ownership and have control over national resources. Empirically proven that the form of ownership of enterprises is predetermined by the highest efficiency level of efficiency with private enterprise, then mixed, followed by social, while the least efficient public sector enterprises in state ownership.

According to many, management is a particular factor of production and the most important resource of any enterprise, and it certainly gets a big role in the transition to new markets in the collision with the already developed markets and management of the Western world.

Transformation of public enterprises, strengthening their management and regulation of markets and reduce monopolistic position, which represent a big step and make a special contribution to the transformational processes of the economy in general. In an environment where today the government a lot of competition, the need for efficient and accountable public sector is greater than ever. Changing the previous operation of public enterprises, it is necessary to ensure the improvement of services to meet all the demanding and informed public and in such a way that the services reach the minimum expenditure of resources. To carry out this, it is essential that there are managers who will manage the change from the immediate environment.

REFERENCES

- [1] Babić .B. Ekonomska osnova "novog svetskog varvarstva", "Smisao", br. 7.
- [2] Bek U.(2001) *Rizično društvo*, Beograd:"Filip Višnjić", 1999.
- [3] Čarapić M. Globalizacija i novi regionalizam, "Politika", 2001.
- [4] Dizdarević, S.,Uzorci modernih poslovnih ugovora, Sarajevo, 2007.
- [5] Drucker P., *Moj pogled na menadžment*, Adižes, Novi Sad, 2001.
- [6] Jerovšek, J. Društvene promene pod uticajem naučno-tehnološkog razvoja, Novi Sad: „Cekos“ , 1998.
- [7] Kasagić R., Osnovi prava i poslovno pravo, Brčko, 2005.
- [8] Major F., *UNESKO: Ideal i akcija*, Beograd:Zavod za udžbenike i nastavna sredstva i Zavod za međunarodnu naučnu, prosvetnu, kulturnu i tehničku saradnju, 1997.
- [9] Milisavljević M., *Savremeni strategijski menadžment*, Megatrend, Beograd, 2005.
- [10] Popov Č. Novi svetski poredak-predhodnica istorijske epohe, Beograd: "Smisao" , 1999.
- [11] Republički zavod za razvoj, *Analiza poslovanja javnih preduzeća*, Beograd, 2007.
- [12] Robbins S.P., Coulter M., *Menadžment*, Data Status, Beograd 2005.
- [13] Rougemont, de Denis *Budućnost je naša stvar*, Beograd: Književne novine, 2000.
- [14] Senić, R., Lukić, S., *Krizni menadžment II deo*, Banja Luka, 2009.
- [15] Stiglitz J., *Ekonomija javnog sektora*, Ekonomski fakultet, Beograd, 2004.
- [16] Zec, M., Živković, B., *Tranzicija realnog i finansijskog sektora*, Beograd, 1997.
- [17] www.informator.co.yu/
- [18] www.cimcollege.com/
- [19] www.fps.unimeditersn.net/
- [20] www.ekof.bg.ac.yu/

SYSTEM DETERMINING THE LEVEL OF COMPANIES IN RELATION TO BEST PRACTICE OF COMPETITIVE COMPANIES

Oliver Momcilovic¹, Jelena Mijailovic²

¹ MEGATREND University, Faculty of Business Studies, Belgrade, SERBIA, e-mail: oliomaster@gmail.com

² d.o.o. PRIVILEG, Šabac, SERBIA, e-mail: yeva_m9@yahoo.co.uk

***Summary:** Most organizations today recognize the importance of strategic planning for long-term growth and benefit the company. Managers have found that the precise definition of the mission of their organization, better channel the direction of the organization. The result is faster and better functioning and ready response to the changes in the environment. Strategic planning is to a great extent help the managers, because they allow for a preparation of the environment in which their organizations operate. Today, the events rotate too quickly to experience that managers have been the only reliable guide, so that managers are forced to develop new strategies that match the problems and opportunities in the future. Of the preparation of the decision, a decision the decision-making, and to other words, means that the planning decision-making anticipation. Of decision-making without losing usefulness. Decision-making is a process that is the closest connection with all management functions and processes in management. As a constituent part of all activities related to management, the quality of decision-making to a large extent affect the quality of execution of tasks and development organization. In this paper we try to show the current state of strategic management and decision-making (planned or unplanned) in the surveyed companies in Mačva District.*

***Keywords:** strategy, management, planning, decision-making process (planned and unplanned).*

1. INTRODUCTION

Benchmarking has begun emerging since hunting groups. The families of the tribes have often compared themselves with each other and drew certain conclusions. Less successful individuals, families and tribes and the saw to the successful and tried to behave and work like the successful ones. Thanks to this, the human species progressed and managed to, up to the present day, make huge progress in their development.

Somewhat advanced benchmarking appeared with: the Egyptian, the Babylonians, the Chinese, the Persians, etc. During the build of the Egyptian pyramids, cutting the Lebanon forests, etc. they looked for the best solutions for particular issues. Each previously gained experience in organizing mass execution of works was welcome in the later accomplishments.

Benchmarking is often demanding in warfare skills. Chinese war theorist Sun Tzu in his work "Arts of war", published a few hundred years BC stated: "If you know the enemy and know yourself, you need not fear the result of a hundred battles".

Benchmarking is a process (or systematic access) of continuous measurements (diagnosis) and comparison of own activities (and the overall process enterprise of all functions in the company) in relation to those companies that are successful and recognized. Its role is continuous comparison of competition's and your abilities. It is learning from others, often learning from other's mistakes. Requirements for continual improvements are permanent. Company's perspective is an imperative, and we focus on the most important problems in the company.

In 1950's, Japan practically induced operations into benchmarking. They sent emissaries throughout the world, primarily in the United States, to find the best practice in certain areas, which could be applied to the Japanese economy. As a result, the Japanese managed to create the world's wonder from a relatively backward country, to achieve economic growth not achieved by any other country in the world.

Benchmarking first appeared in theory and practice of management in the early nineties of the last century. In the same time, there also appeared the first study in this area, named "The search for industry's best practices".

The first company that successfully started applying the benchmarking on a scientific basis was the well-known corporation "Xerox". Management of the leaders of this corporation using benchmarking managed to oppose the international competition. This corporation after applying benchmarking was able to produce high-quality copying devices, with lower prices, lower cost of exploitation and maintenance, better design and other performance that customers have requested.

From a number of definitions of benchmarking, we should distinguish certain ones that the father of benchmarking Camp gave: "benchmarking is a permanent process of measuring production, services and practices to the most successful company or companies that are considered the industry leaders." According to Watson it is the "constant search for the application of significantly better practices that lead to superior results". In essence, benchmarking involves the systematic and continuous process measurements and comparison of business processes of an enterprise in relation to the business processes of leaders anywhere in the world. The aim of this process is to obtain information that will help the company to take action to improve their performance.

2. THE NEED FOR BENCHMARKING

Determining the need for benchmarking is one of the most important issues in the strategy of managing the company. Of the response to it in a good measure depends the efficient application of the best solutions. That is logical, because the effects of industrial production will not only increase by intensification of production, the introduction of technology, but above all with developing a feeling and the need for the use of industrial products for different purposes. When needs increase, for example, for the car, then the reflex interaction occurs also to increase production, and with it a new conjecture trend in throughout the economy (increase of usage capacity, increasing employment, growth of buying funds, etc.).

The need for benchmarking is particularly important for our society and economy, because it spent years trying to build its own practice and to seek the "original" solutions that the world does not know, and criticizing or depreciating the best solutions and practices, justifying that it is improper for a new allegedly humane society being constructed. The results of this concept are known, which imposes paying attention to benchmarking as a technique of modern management.

3. BENCHMARKING AND DEFINING SUCCESS

Every company aspires to do business much better in the coming than the previous period. That fact each team must have in mind when collecting information about the processes in their own company, as well as companies which need to learn and gather experiences. Of course, benchmarking should be applied in areas where results achieved in practice are the weakest.

Basic goals of this phase are:

- Understanding the processes that will be covered with a radical change;
- Determination of the desired effect of the radical change;
- The selection and improvement of the process; and
- Determining what is or is not possible, and the determination of parameters.

2.1. Application of benchmarking

Application of benchmarking presents an exchange of information with better companies regardless of whether you belong to the same activity. The aim is to determine the secrets of the success of leading companies, and then the application of significant knowledge and experience. It is a step forward in relation to a mere copying of other enterprises' business.

Application of others' experience and knowledge means measuring and documenting the flow of activities in the process. During that, we can use internal benchmarking (comparing with one department) and external benchmarking (procedures are compared with the procedures in the companies with similar activities, with the competitors or the procedures of the companies that do not have the similar activities, and aren't competitive, but are leaders in their activities).

Benchmarking data usually contain errors, which we must have in mind. It is difficult to compare the data of benchmarking the existing process with the potential results that arise from the process of radical changes.

2.2. Recognition, copying and improving the best solutions

The decision about using the best procedures should be based on the answers to these three questions:

- Does the procedure allow the competitive advantage that is measurable and visible?
- Does the process offer the best value of the shares or advantages in its application, in relation to the costs and the invested effort?
- Does the process provide a useful model for all companies that are involved in it, and not only on the competitors or members of the same branch of industry?

2.3. Evaluation of information technology

The aim of this group of steps in the process of change is the assessment of the status, possibilities, efficiency and focusing information technology of the company and their connection with the vision and strategy of the company in which radical change was made.

2.4. Setting performance goals

It is common to achieve several times better values than the standard, benchmarking values by a successful radical change. You must make the assessment of behavior associated with the processes that were previously determined by standard values and choose the fairest process which should be applied and improved. Because of different understanding of benchmarking, considering different production philosophy we can expect three models of increasing the company's productivity.

This phase is significant in terms of analytical skills to find the connection between performance and performance factors. Through a process of analysis we identify the similarities and differences between the companies that are compared. The accent is on identifying the differences and identifying the processes, procedures, activities, practices that are performed better, superior, or processes that can and should be improved. The process of identification and elimination of variation in the performance is given in (Figure 1).

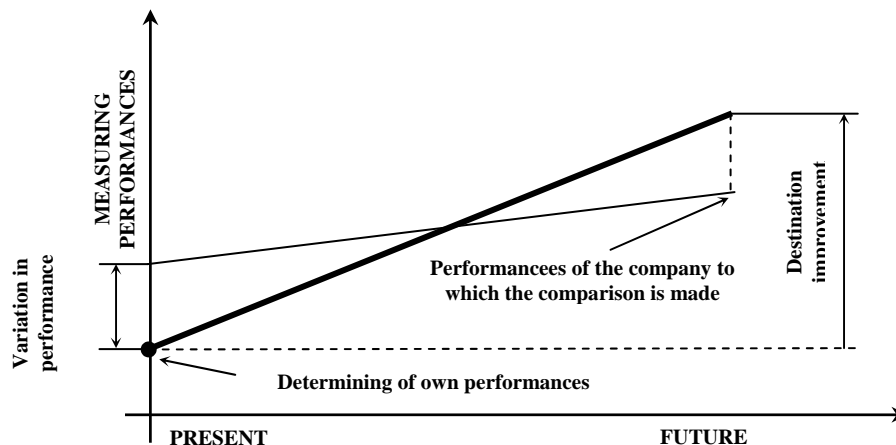


Figure 1. Process of identifying and eliminating performance variations

3. ACCESS TO BENCHMARKING REALISATION

Benchmarking can have a different methodology, and many variations of benchmarking process. It can include analysis of the entire business of a company or its segment, it can go by the depth of the hierarchical pyramid, or horizontally, etc.

Each of these types has its own process, which is different from the others, but which has some general rules that apply to all types of benchmarking.

Based on the established objectives of an enterprise we approach the benchmarking process. So regardless of the type of benchmarking, global methodology contains the following basic steps:

- planning,
- studies,
- gathering data,
- implementation, and
- Revision.

Apart from this there is a number of other methodologies developed by large companies in the world.

Access of the realization of the process of benchmarking can be organized through the following ten steps (Figure 2). Once the benchmarking studies are completed, the results may be useful for the company from several aspects:

- Providing a determination of the position of their own effects, or performances in relation to other companies;
- Using the potential of rationalization through the comparison and learning from other companies;
- Overcoming the subjective criterion (production blindness) or argumentation or assessing the quality of the realization of certain functions through orientation, i.e. taking an example from the best and learning from them;
- Realization of the process using the model of other successful organizations, reducing the fear of the application in your own home and increasing the motivation to achieve better results; and
- Team orientation in the development of benchmarking project from a larger number of participants provides more realistic conditions for successful implementation of project results;

Required instruments and methods of benchmarking can be successfully used in other modern management techniques.

4. DETERMINING MEASURES AND IMPLEMENTATION OF IMPROVEMENTS

Implementation of improvements can be a phase of benchmarking, which define and direct the implementation of improvements by gathering the knowledge gained by comparative analysis. In this phase, the research efforts are converted into action for improvement. The leaving out of action makes the benchmarking study needless and useless.

At this stage it is necessary to choose the improvement projects, and define the goals for improvement. These objectives should be determined on the basis of the most accurate data on the best performance that are established by benchmarking study.

Based on the data from the study, it is possible to determine the target direction of the required action, target magnitude, and a relative priority in the allocation of resources in cases where improvements are needed in more fronts.

Realization of goals allows closing the gap, and relieving variations in performance. It is possible to define different goals: short-term goals improvement, goals that will compete with competitors, goals which will overcome the competition and become leaders.

The most ambitious, of course, are the goals that require achieving the leading position and improvements over the best subjects. Realization of these goals is only possible with integration of knowledge from a number of very successful companies with tending to synergetically apply this knowledge (Figure 3).

5. CONCLUSION

During the implementation of benchmarking there can appear a number of traps that should be avoided, some of which are listed here:

- Inappropriate use (instead of looking for systematic change and innovation processes, companies are trying to apply benchmarking to some permanent specific problems),
- Lack of vision (the identification and application of the best procedures are not there by accident or destiny, but it is the result of hard work and precisely targeted actions),
- Ineffective benchmarking team (skills of internal forces do not have enough tools, experience and possibilities to approach finding, creative design and implementation, efficient),
- Inadequate training and authority (the progress of employees is necessary so it would have impact on the existing status quo),
- Rationalization of the process (often leaders support benchmarking, as while as it does not apply to them),
- Use of geographic and organizational boundaries for setting the differences (the multinational corporations of today and tomorrow require different structures and different management approaches), and:
- Failure in understanding the benchmarking process and its application (the expectations are often too high, while the efforts and participation are underestimated).

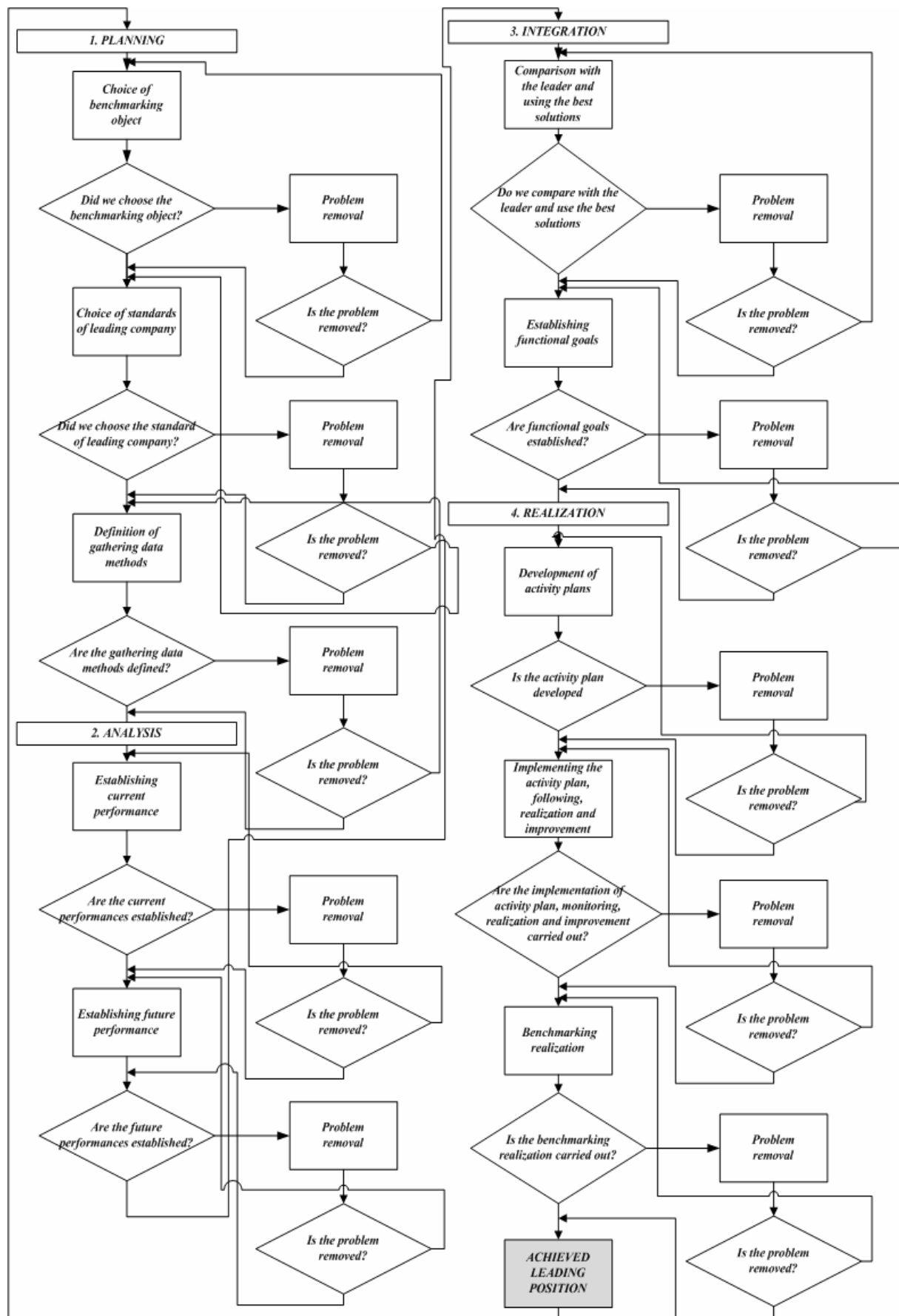


Figure 2. Access to benchmarking realization

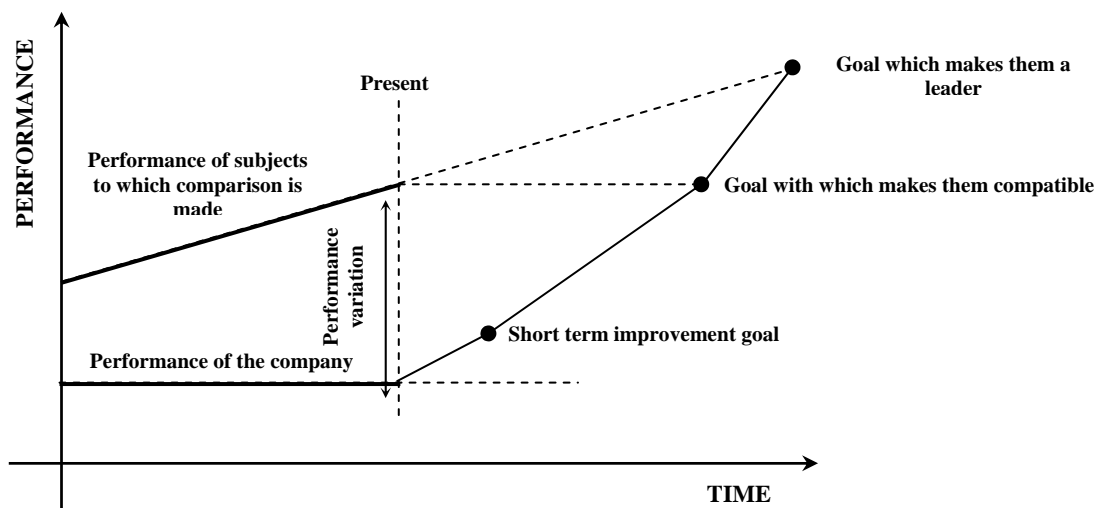


Figure 3. Differentiation of goals in the process of moderation or elimination of performance variations

Some authors state the following errors that may cause the failure of benchmarking performance:

- Trying to repair the process instead of its total change,
- Lack of concentration to business processes,
- Ignoring everything but re-designing the process (reorganization, the system of rewarding, inter-relations in the company, redefining the responsibilities and authority),
- Negligence of human values and beliefs (it is necessary to reward behavior that shows the new values and behavior),
- Being ready to achieve small results,
- Premature termination of the procedure,
- Narrowing the definition of the problem and the scope for benchmarking,
- Tolerating the existing culture from the attitude of company's management to stop the start of benchmarking projects (unanimity, short terms, prejudice opposed to conflict),
- Trying to perform benchmarking to the "bottom" (upwards),
- Appointing someone that has no skill for conducting benchmarking,
- Skimping on benchmarking resources,
- Burying benchmarking in the center of the business plan company,
- Dispersing energy to a lot of benchmarking projects,
- Inability to distinct benchmarking from other programs for improvement of business processes,
- Focusing only on the design and not the implementation,
- Trying not to make anyone unhappy, and to carry out the benchmarking,
- Withdrawal if there is a resistance with people, and
- Dilatation (one year is enough).

Table 1 shows the problems that occur in the benchmarking project.

REFERENCE

- [1] Čupić M. E., „Odlučivanje: formalni pristup“, FON, Beograd, 2003.
- [2] Janković, S., Momčilović, O., Milošević, S., „Marketing – na jednostavan način“, Familet, Beograd, 2008.
- [3] Janković, S., Momčilović, O., Martinović, D., „Menadžment – doba menadžera“, Familet, Beograd, 2008.
- [4] Momčilović, O., Doktorska disertacija, „Upravljanje znanjem i promenama odlučujući faktori savremenog informatičkog obrazovanja, Fakultet za menadžment, Novi Sad, 2008.
- [5] Momčilović, O., Adamović, Ž., Milošević, S., „Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja)“, Beograd, 2009.
- [6] Radovanović T., „Uspešan preduzetnik“, Fakultet za menadžment, Novi Sad, 2004.
- [7] Ristić D., „Osnove menadžmenta“, Fakultet za menadžment, Novi Sad, 2002.
- [8] Sajfert Z., Egić B., Nikolić M., „Strategijski menadžment“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2005.
- [9] Sajfert Z., „Menadžment ljudskih resursa“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2004.
- [10] Stoner Dž., „Menadžment“, Želid, Beograd, 2002.

- [11] Todosijević R., Šušnjar G., Ahmetagić E., Perošević B., „Promenama do uspešnog preduzeća“, Prometej, Novi Sad, 1995.
- [12] Todorović J., „Strategijski menadžment“, Institut za tržišna istraživanja, Beograd, 1997.

Table 1: Problems during the benchmarking project (source: T. Bendell, L. Boulte And Gatfor K., The Benchmarking workout, Financial Times-Prentice Hall, Great Britain, 1997)

Problem (limit)	Probable causes	Solution
Wrong subject of comparing	Insufficient knowledge of our company	Perform further research to identify a relevant object of benchmarking studies
Comparison with wrong subjects	Insufficient and inadequate realization of previous researches	Gathering more details for initial research
Benchmarking doesn't lead to action or improvement application	Higher management is not enough involved with the project	Make sure that the management is interested, involved and offers support
Impossibility for the idea to be passed on to higher management and persuade it to its adequacy	Lack of information and a bad presentation of gained benchmarking results	Make sure that the practice of comparative analysis is firmly connected with the existing business plans, point out the benefits to other companies gained by that access
Lack of resources for comparative analysis	Lack of adequate management support, as well as the ability to conduct comparative analysis of only the members of benchmarking team	Lobbying and promotion of benchmarking as a widely applied approach, techniques and methods in the company to improve its performance
Information is not relevant or too valuable, useful	Too much or too little information, as well as the case that information is not comparable	Narrower focus on the object of analysis is needed
Incorrect / distorted information	Excessive reliance on one source of information	Multiple checking the sources of information
Inability for target organizations with which we should perform the comparison to be interested and consented to cooperation	The presence of skepticism and protective attitude	Clarify all the possible benefits of information exchange, as well as reviewing the criteria for the selection of partners for comparative analysis
Excessive reliance on superficial similarity with the partner with whom the comparison should be done	The lack of strict criteria for the evaluation of potential partners for the company	Redefining the search for a partner, in order to find an adequate partner that suits us best
Partner does not want to exchange useful information	Partner is too similar	Defining the search and selection of partner with a process, not through the branches (groups)
Too many objects that are the focus of benchmarking	Badly defined priorities	Connecting benchmarking with the companies' business plan

STRATEGIC MANAGEMENT AS A FACTOR OF STABILITY IN MODERN COMPANIES

Oliver Momcilovic¹, Jasmina Rajakovic²

¹ MEGATREND University, Faculty of Business Studies, Belgrade, SERBIA, e-mail: oliomaster@gmail.com

² d.o.o. PRIVILEG, Sabac, SERBIA, e-mail: yeva_m9@yahoo.co.uk

Summary: Most organizations today recognize the importance of strategic planning for long-term growth and benefit the company. Managers have found that the precise definition of the mission of their organization, better channel the direction of the organization. The result is faster and better functioning and ready response to the changes in the environment. Strategic planning is to a great extent help the managers, because they allow for a preparation of the environment in which their organizations operate. Today, the events rotate too quickly to experience that managers have been the only reliable guide, so that managers are forced to develop new strategies that match the problems and opportunities in the future. Of the preparation of the decision, a decision the decision-making, and to other words, means that the planning decision-making anticipation. Of decision-making without losing usefulness. Decision-making is a process that is the closest connection with all management functions and processes in management. As a constituent part of all activities related to management, the quality of decision-making to a large extent affect the quality of execution of tasks and development organization. In this paper we try to show the current state of strategic management and decision-making (planned or unplanned) in the surveyed companies in Mačva District.

Keywords: strategy, management, planning, decision-making process (planned and unplanned).

1. INTRODUCTION

The subject of research in this paper is the establishment of the decision-making process (planned or unplanned) in the surveyed companies in Mačva County, in the period from January to April 2009. A sample of 100 active businesses in the territory of District Mačva was taken. Decision-making process is divided into structured (planned) and non-structured (unplanned). Research part of this paper aims to, by analyzing data obtained from surveys of the active institutions, determine which of the mentioned decision-making processes in the Mačva District is used more often or is more represented in practice.

2. RESEARCH HYPOTHESIS

Hypothesis is, according to the definition, a statement that is being checked in order to establish its validity, and is valid if it is adequate to the case study and can be checked and verified by some practical theoretical procedure.

Hypothesis is being set:

H₀ – Decision-making processes with active entrepreneurs in Mačva District are unplanned and non-structured.

Also, the two sub-hypothesis that supplement and draw conclusions for the first hypothesis:

H₁ – Concern about human resources is insufficient

H₂ – Insufficient representation of marketing services in the decision-making

3. AIM OF THE RESEARCH

The aim of the research is to prove that the companies in Požarevac do not use planning, that the decisions are unplanned and non-structured. This goal will be achieved by setting questions and sub-questions, as well as sub-hypothesis that you need to prove or reject the basic hypothesis: the decision-making processes in active entrepreneurs in Požarevac are unplanned and non-structured.

4. RESEARCH

Polling itself is divided in several areas. Questions are deliberately mixed, so they would not lead to connecting the responses, a careful interpretation of the answers we get the answer to the first and most important question here: whether the decision-making processes are unplanned or planned in the surveyed entrepreneurs in Macva County. Through answering the questions from the second, third, and the special group, indirectly and directly we get the answer to the first question.

Questions from the second area have the aim for entrepreneurs to actively respond to the questions: Do you care about the workers and do you care about the consumers of your services. By analyzing the obtained data, we see how much entrepreneurs care about the employees and clients or users of their services and therefore influence the better brand of the company and its long-term survival.

Answers of the surveyed entrepreneurs to the questions from other areas give us an answer to the question whether the respondent entrepreneurs have a marketing service in their companies (strategy and analysts) or not. Also, we get answers to the questions that make the final decisions in the companies of the surveyed active entrepreneurs and are their valorization done at the end. Also, we answer the question do we use specialized marketing agencies, market research agencies, etc...

A special area contains only two questions. We looked for the answer to questions whether the surveyed active entrepreneurs make short-term and long-term business plans. By getting the answer to this question we can conclude are they systematically concerned about the development and survival of their companies on the market.

5. RESEARCH RESULTS

Based on the survey carried we came to the following results. Survey results of the following questions can be seen through the shown graphs.

What are the sources of information on the basis of which you make the decision (figure 1)?

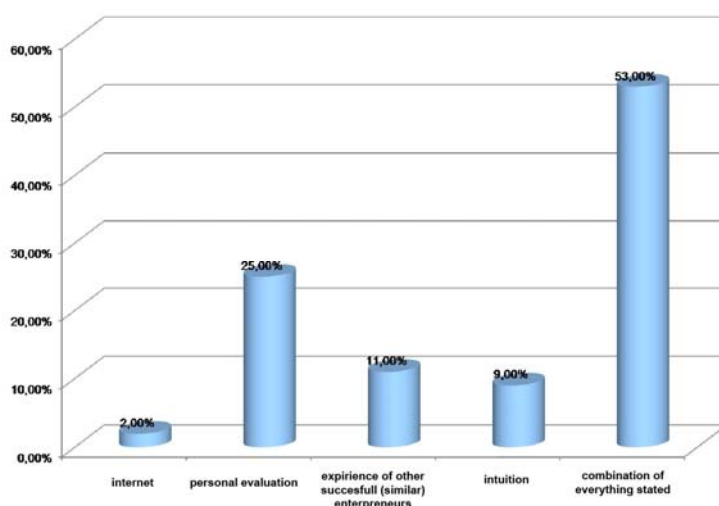


Figure 1: What are the sources of information on the basis of which you make the decision?

Are your employees members of the union (figure 2)?

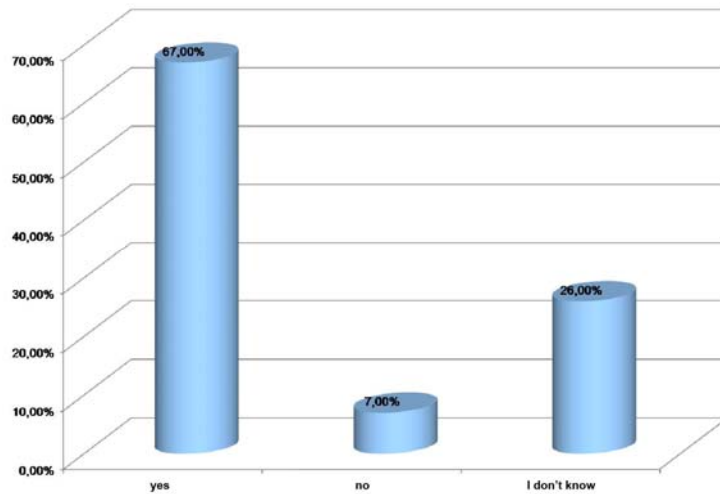


Figure 2: Are your employees members of the union?

Do you offer the employees some benefits (in addition to wages earned) in the form of incentives, gifts (fig. 3)?

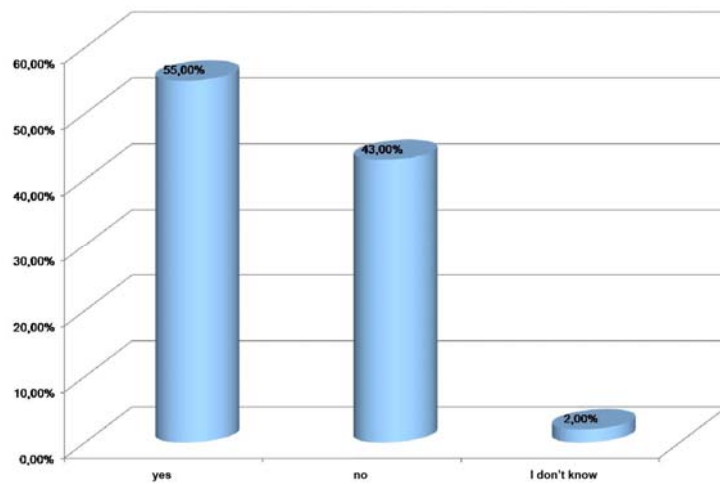


Figure 3: Do you offer the employees some benefits (in addition to wages earned in the form of incentives, gifts...?)

Do you reward your employees' overtime work (figure 4)?

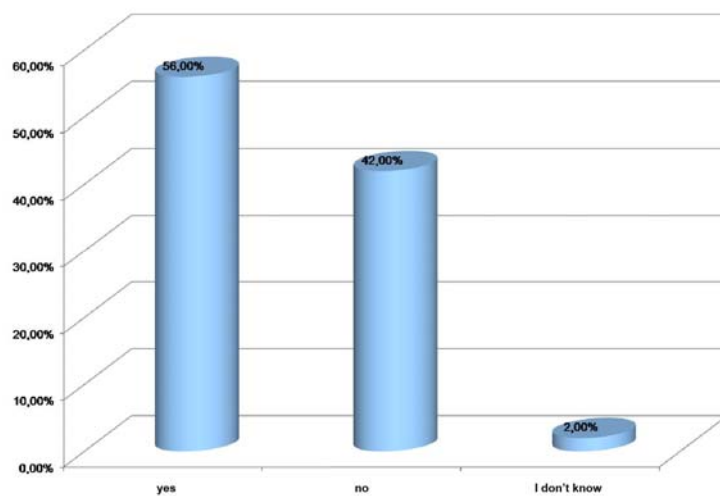


Figure 4: Do you reward your employees' overtime work?

How do you get information on the quality of services you provide (figure 5)?

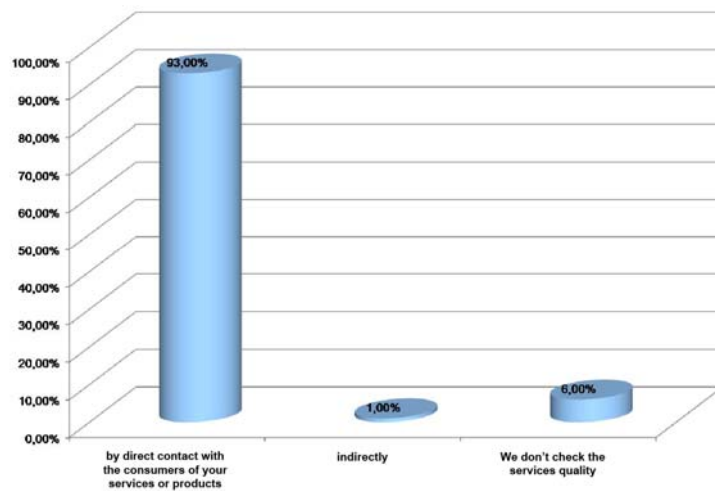


Figure 5: How do you get information on the quality of services you provide (Graph 5)?

Do you offer some benefits to consumers in the form of gifts, brochures... (figure 6)?

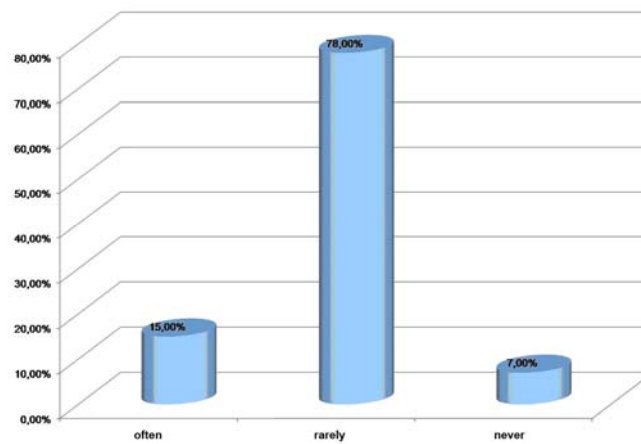


Figure 6: Do you offer some benefits to consumers in the form of gifts, brochures...?

Who makes business decisions in your company (figure 7)?

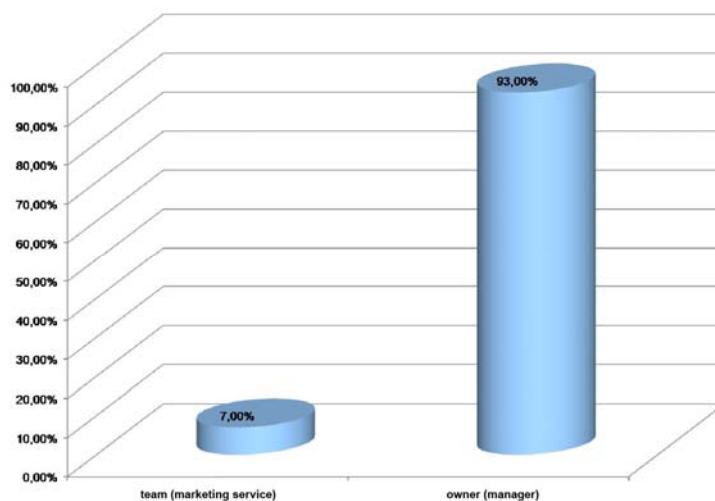


Figure 7: Who makes business decisions in your company?

Who makes the final decision (figure 8.)?

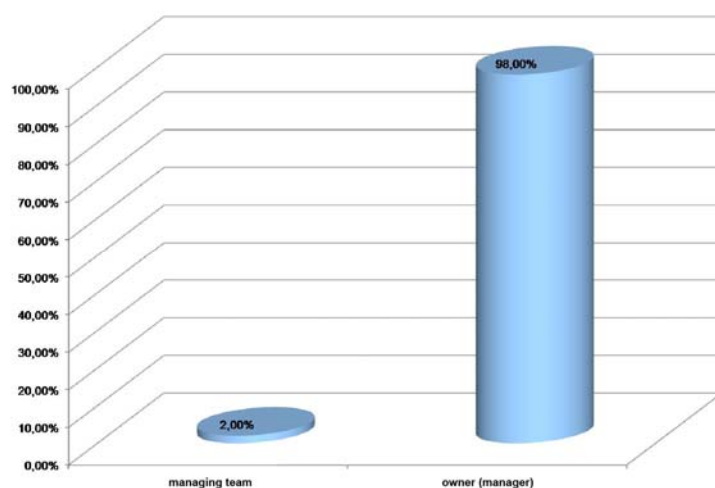


Figure 8: Who makes the final decision?

Do you check and valorize the results that you achieve (figure 9)?

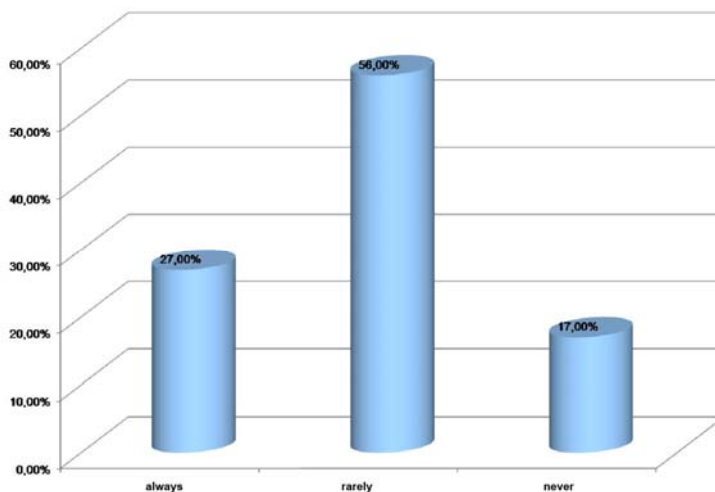


Figure 9: Do you check and valorize the results that you achieve?

Do you make short-term business plans in your company (figure 10)?

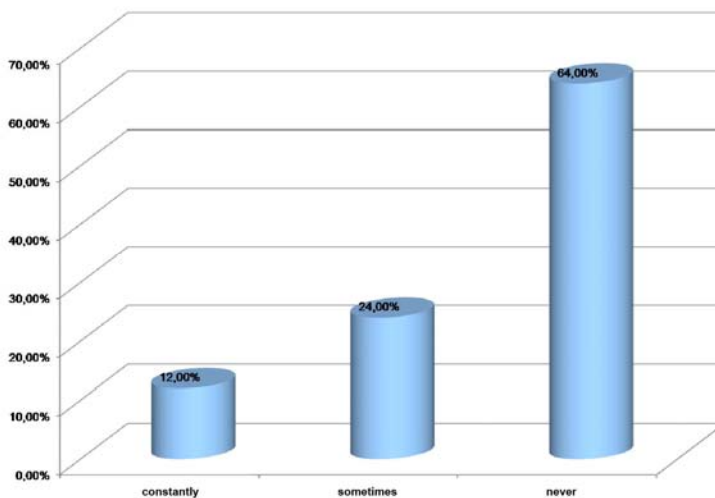


Figure 10: Do you make short-term business plans in your company?

Do you make long-term business plans in your company (figure 11)?

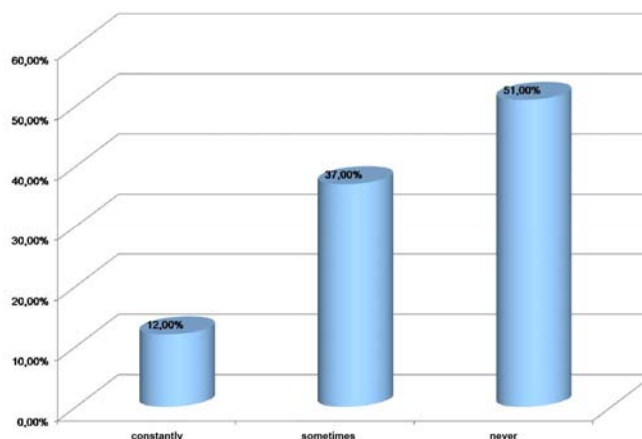


Figure 11: Do you make long-term business plans in your company?

Do you use specialized marketing agencies (figure 12)?

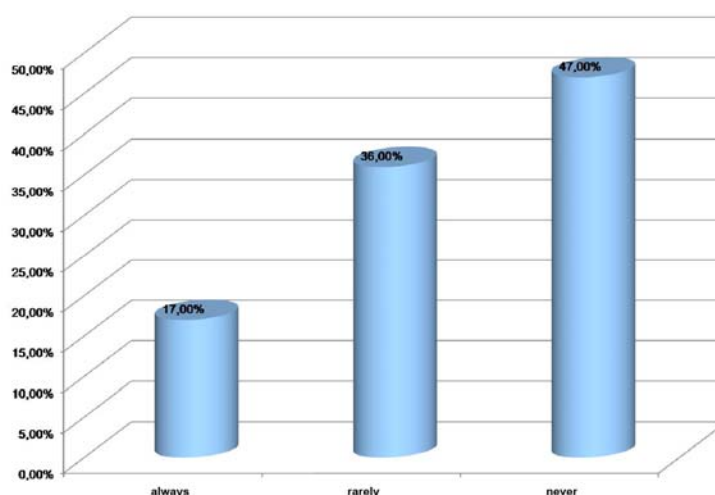


Figure 12: Do you use specialized marketing agencies?

6. CONCLUSION

Strategic management has nowadays grown to a world scale in order to preserve the position in the market. For that purpose most companies try to become attractive to the customers in a certain way, to be heard abroad, as well as to expand in its activities. With that aim the companies are either forced to or it is a part of their strategy to join with other companies or to seek refuge with foreign strategic partners, which have already broke the ice in the business activities. Sure that this step is a risky and it is uncertain in anticipation of the first results of such operations. Therefore, the constant monitoring of the market and world trends is necessary for the survival of companies as well as adaptation¹ to the market that dictates its conditions.

We can not conclude that the ratio of business to employees is fully fair and satisfactory. As far as the relationships and service are concerned, the situation is not better. Entrepreneurs to a greater extent do not have the habit or a built system of communication with customers. Decisions regarding the business of the companies in the vast majority (almost all the surveyed active entrepreneurs) make the owner (the manager) of the company. We can conclude that the active entrepreneurs in Mačva District in most cases non-structurally make decisions, mostly leaded by the elements of intuition, personal evaluation and experience. That proves the H_0 hypothesis.

In our country, despite the changes that have occurred and those that will inevitably come, there is a strong resistance to the same. Some managers live in the past times where there were some other rules, rejecting to accept the new circumstances, some of them, thinking to change and adapt, accept only part of the changes that go directly to their benefit. Unlike the previously mentioned, the small number of managers is conscious of the seriousness of the situation and the need for change.

This is the reality that affects our organizations. In order to be included in the world consolidation they will have to follow the world trends, because only that way they get the possibility of surviving, and development. With its permanent improvement, our management must provide opportunity, and believe our employees by helping them gain special knowledge and skills necessary for autonomous operation, which includes enterprise and the ability of independent decision-making, so that they can be able to deal with bigger issues, because it is one of the ways to achieve better results.

REFERENCE

- [1] Čupić M. E., „Odlučivanje: formalni pristup“, FON, Beograd, 2003
- [2] Janković, S., Momčilović, O., Milošević, S., „Marketing – na jednostavan način“, Familet, Beograd, 2008
- [3] Janković, S., Momčilović, O., Martinović, D., „Menadžment – doba menadžera“, Familet, Beograd, 2008
- [4] Momčilović, O., Doktorska disertacija, „Upravljanje znanjem i promenama odlučujući faktori savremenog informatičkog obrazovanja, Fakultet za menadžment, Novi Sad, 2008
- [5] Momčilović, O., Adamović, Ž., Milošević, S., „Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja)“, Beograd, 2009
- [6] Radovanović T., „Uspešan preduzetnik“, Fakultet za menadžment, Novi Sad, 2004
- [7] Ristić D., „Osnove menadžmenta“, Fakultet za menadžment», Novi Sad, 2002
- [8] Sajfert Z., Egić B., Nikolić M., „Strategijski menadžment“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2005
- [9] Sajfert Z., „Menadžment ljudskih resursa“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2004
- [10] Stoner Dž., „Menadžment“, Želnid, Beograd, 2002
- [11] Todosijević R., Šušnjar G., Ahmetagić E., Perošević B., „Promenama do uspešnog preduzeća“, Prometej, Novi Sad, 1995
- [12] Todorović J., „Strategijski menadžment“, Institut za tržišna istraživanja, Beograd, 1997.

TIME – THE MANAGMENT CAPITAL

Oliver Momcilovic¹, Vesna Rajakovic²

¹ MEGATREND University, Faculty of Business Studies, Belgrade, SERBIA, e-mail: oliomaster@gmail.com

² d.o.o. PRIVILEG, Sabac, SERBIA, e-mail: yeya_m9@yahoo.co.uk

Summary: *The answer to the question what is Time Management is that it is life and work management, in which we use our time in the most cost-effective way. The idea of Time Management exists more than a hundred years. However, until the beginning of the eighties last century, the term Time Management hasn't got into general use. Manager and businessmen only since the early eighties of the 20th century think about time as a resource, money, productivity tool which not may but must be managed if we want to be better than others, which is the main strategy of Time Management. Time Management reaches its full bloom as their so in practice in the USA, also, it becomes more of a practice in the western business world. A great number of businessmen increasingly promote the problem of Time Management as a main tool in raising productivity and business success of their organizations.*

Keywords: *Time Management, effectiveness, efficiency, sompany management, time consumers.*

1. INTRODUCTION - WHAT IS TIME?

It can rightly be considered a nonrenewable resource. There are numerous definitions and definitions of the term. From the view of the process management, time is considered a precious nonrenewable resource related to managing numerous human activities. We all have the same time available, but the ways we spend it are different. Time not should be spent on things that do not give a result [13].

Lost money and bad investments can be compensated later with smarter investments, loans, real estate sales. Is time money, then? Once past time, however, can not be gotten back. A missed hour or a day can not be regained no matter how much money you have. Time is the only wealth that can not be back, if lost, and that's why it is much more valuable than money. Time is a specific capital, which requires final rationality and management skill.

Time is an investment, because if you properly and dynamically invest into those activities that bring profit, time becomes an extremely cost-effective resource. Time is not possible to store and spend when we need it, when you have needs for it, but must be cleverly managed, planned in order to achieve success and goals of managers and the organization.

We can say that time is a factor of productivity, production tool, in other words service providing, where for less and more rational time greater success and results are achieved.

2. WHY DO WE NEED TIME MANAGEMENT?

The value of Time Management is not just in time control, but also in the ways to effectively use time to improve your life. The efficient Time Management needs to reflect on four important moments in your life: stress reduction, balance between personal and business life, increase of productivity, and achievement of goals [4].

3. THE GOAL OF TIME MANAGEMENT

Managers can, in many ways, improve the efficiency of their time usage. The goal of Time Management is expressed through the following parameters:

- The planning of time usage,
- Setting short-term goals and determining priorities,
- Delegating tasks to lower administrative structure and staff, and
- The development of certain skills, which help better use of time (speed reading, for example.).

Time as a capital, as money, as a resource, as a factor of productivity, in any case can not be over the control of managers and employees. If it happens that time masters them, to impulsively overrun them, in this case they become unsuccessful, lose race with time, lose the power of competition and business performance. If it happens that time manages the manager, he will find himself in these situations:

- 1) Will be inefficient,
- 2) Will be ineffective,
- 3) Will not progress in the service,
- 4) Will have a good opportunity and a "chance" to become exchangeable,
- 5) Your subordinate will not be able to perform their job well,
- 6) Your boss will start to consider you a time waster.

4. WHY IS TIME UNMANAGEABLE?

There are several reasons why time is unmanageable, and we can divide them into three groups [13]:

- a) Psychological, they are the most common reasons for time unmanageability, we talk primarily about the various psychological barriers that are related to:
 - a) unclear goals and business priorities,
 - b) the fear of free time,
 - c) fear of loss of creativity, and changing of the status also,
 - d) health issues (reducing the level of energy), and
 - e) The chaotic situation at work and the presence of multiple roles.
- b) External, which present the character of social systems:
 - a) the level of employment and unemployment, and
 - b) Organization location.
- c) Internal reasons, related to:
 - a) disorganized associates,
 - b) wrong time separated,
 - c) incompetent person for the solution of certain problems,
 - d) doing the work for others,
 - e) the task is too complex,
 - f) the working space is disorganized and inappropriate, and
 - g) a permanent presence "time thieves".

5. THE RULES OF TIME MANAGEMENT:

Rules can be defined in the following table 1:

Table 1: Rules of time management

Rule one:	Clearly defined objectives from the domain of life
Rule two:	The capability of full concentration during the work
Rule three:	Working at the right time
Rule four	Making the schedule of business activities

Successful managers in their first initial steps must understand that they work for (Figure 1):

- money,
- for profit,
- for time which actually brings both money and profit,
- a successful career development, and therefore business performance of the organizations.

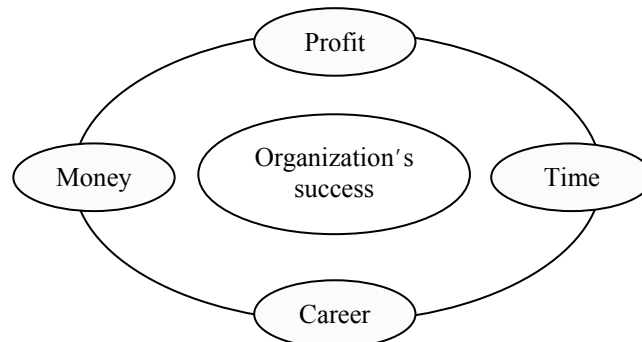


Figure1: Business efficiency of the organization

6. TIME MANAGEMENT AN INTEGRAL PART OF THE ORGANIZING PHASE IN THE COMPANY MANAGEMENT PROCESS

Basis of performance of each work is in Time Management. The usage of time was, up to now, measured only when physical work was in question. However, the use of time is equally important for the management structure.

Namely, it is considered that the work effectiveness of each of the participants in the process of work, is directly caused by its Time Management. Key factors that influence the use of time (Figure 2) [14].

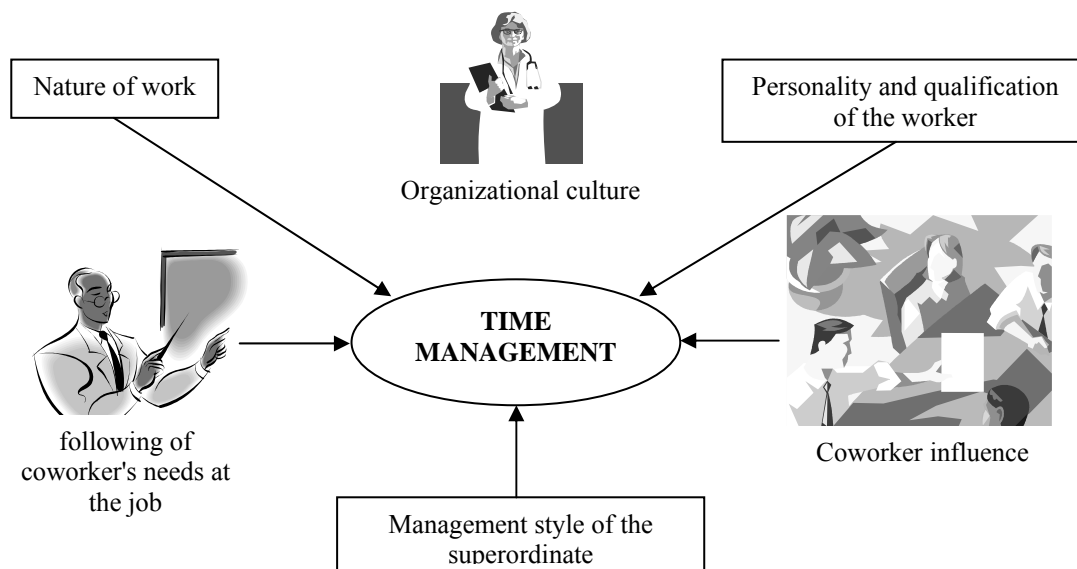


Figure 2: Factors that influence the use of time

The nature of business that the individual does can be seen two ways.

- First, if one job is done by an individual, not in the group - he is under less pressure of time utilization, because he has enough free space to schedule his time based on his own assessment of needs. In the event that the work is done in the group (team work), use of time is subordinated to the needs of performance (productivity) of the whole group, so the individual must follow the prescribed use of time. On the other hand, if an individual works in the company which has only started to work - a series of unexpected situation will affect the use of his time. If the company has long work experience, jobs and tasks are defined, so the possibility of unexpected situation is reduced to a minimum - time management of each individual will not be difficult, because the standards are long-time established and trusted, as well as psychological and physical qualities of individuals, in terms of achieving these standards.

Since the time management is mainly associated with the individual in the company, it is very important to learn each employee to identify the thing called the "area of the key results," this is the essence of management by objectives (MBO). In companies in which the MBO is developed and applied, time management is one of the most important factors binding individual managers' goals with the overall objectives of the management of the company that has no MBO, and particularly must be engaged in training employees to identify key areas of

results, so that they, acting in these areas, make the maximum time utilization. To begin, it is enough to educate employees to identify work priorities and the order they should perform specific tasks to achieve organizational goals.

Planning of personal time available consists of clearly defined priorities - on one hand eliminating all activities that are unnecessarily wasting time. The both require the development of specific methods, which are applied in practice.

7. THE BIGGEST TIME CONSUMERS

The biggest consumers of time include:

1. Crisis situations,
2. Phone calls,
3. Inadequate planning,
4. Too many jobs at the same time,
5. Unplanned visitors,
6. Absence of delegation,
7. Personal disorganization,
8. Lack of self-discipline,
9. You can't say "No",
10. Job delay,
11. Meetings,
12. Paper,
13. Unfinished business,
14. Insufficient number of people or lack of training,
15. Association or chatting at work,
16. Undefined powers and responsibilities,
17. Poor communication,
18. Low quality control system and reporting,
19. Incomplete information, and
20. Travel.

8. CONCLUSION

Powerful laws of human nature are closely related to our problem with the usage of time. All the rules of Time Management are in substantial conflict with the laws of human nature. In these laws is the main reason why we do not know what we need to do!

Will we try to make conscious effort and change our habits, will we become more efficient and successful, whether we want to admit it or not - it mostly depends on us [14]!

Time Management, means that no one likes to admit their own weaknesses: we are to "blame" for our own problems with time, as we do not "permit" that the time we have is not fully or adequately used. The reason why many people difficultly apply techniques of Time management is the fact they deeply clash with their personal habits. Quitting old habits and accepting new ones is difficult, but essential. Will to change is exactly the point around which the whole issue of Time Management "revolves", and from this point it eventually depends whether we will be successful in the work we do or not.

REFERENCE

- [1] Čupić M. E., „Odlučivanje: formalni pristup“, FON, Beograd, 2003
- [2] Janković, S., Momčilović, O., Milošević, S., „Marketing – na jednostavan način“, Familet, Beograd, 2008
- [3] Janković, S., Momčilović, O., Martinović, D. „Menadžment – doba menadžera“, Familet, Beograd, 2008
- [4] Momčilović, O., Doktorska disertacija, „Upravljanje znanjem i promenama odlučujući faktori savremenog informatičkog obrazovanja, Fakultet za menadžment, Novi Sad, 2008
- [5] Momčilović, O., Adamović, Ž., Milošević, S., „Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja)“, Beograd, 2009
- [6] Radovanović T., „Uspešan preduzetnik“, Fakultet za menadžment, Novi Sad, 2004
- [7] Ristić D., „Osnove menadžmenta“, Fakultet za menadžment, Novi Sad, 2002

- [8] Sajfert Z., Egić B., Nikolić M., „Strategijski menadžment“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2005
- [9] Sajfert Z., „Menadžment ljudskih resursa“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2004
- [10] Stoner Dž., „Menadžment“, Želnid, Beograd, 2002
- [11] Todosijević R., Šušnjar G., Ahmetagić E., Perošević B., „Promenama do uspešnog preduzeća“, Prometej, Novi Sad, 1995
- [12] Todorović J., „Strategijski menadžment“, Institut za tržišna istraživanja, Beograd, 1997
- [13] <http://www.link.co.rs/cms/preview/>
- [14] http://knowledge-bank.org/za_goste/lekcije/lekcija36.htm

AN ORGANIZATIONAL STRUCTURE MODEL OF WORK ORIENTATED LECTURES OF STUDENT EDUCATION IN THE FIELD OF CLOTHING TECHNOLOGY

Melisa Muratović, Šaban Muratović

High specialty school of design, technology and management, Belgrade, SERBIA

***Summary:** Methodological models provide complete theoretical and practical assumptions, the possible level of study and learning by covering all the stages of the process from preparing students for adopting new contents to the checking of test results achieved (outcome) [2]. Today, from a number of methodological models, an important place occupies the work-oriented model of teaching. Work-oriented lectures begin with the understanding that learning and work must be related. The concept is based on the development of independent work in order to qualify for professional work. This can be organized in the work-oriented environment, i.e. a perfectly equipped location where lectures are carried out. A successful acquisition of knowledge and skills is contributed by a lecturer who has expert knowledge, i.e. he/she gets a role of an instructional designer, which we will closer explain in this paper.*

***Keywords:** Work-oriented lectures, the creation of the environment, independence, instructional designer, scientific and technical progress.*

1. INTRODUCTION

Professional orientation of a designer and patternmaker requires a special application of the lecture model that will allow the student to be active with all their might. The concept is based on the development of independent work. Students should be involved in the planning, execution and evaluation of assignments in accordance with the objectives set. [8].

Preparing students for this kind of activity involves creating the environment where they will be educated for their occupation through various business activities. Work is taught through work. The pedagogical requirement is also known as work-oriented education.

Under the notion of work-oriented education, it includes lectures where students are active, because they learn not only with their head, but also with their hands, feet, heart and all senses. The introduction of work-oriented lectures in schools is needed in order for the students and teachers to have a mutual understanding and communication regarding the results with need to be visual at the end of the teaching phase. Despite the above statement, we don't believe that all teachings in schools should be work oriented. We believe that it would be reasonable that one third of school hours are work based.

2. THE WORK –ORIENTED LECTURE MODEL

A large number of students in the traditional school are bored because of the following reasons:

- Because the lectures are centralized,
- Because the lecturer's teachings are often not presented in a proper manner,
- Because the content is not appropriate for students.

In addition to the previous, students must also:

- Sit peacefully,
- Participate in the discussion, reading, writing and calculations.

In such non-amusing lectures, students often turn to the following activities:

1. Deal with their body (bite their nails, blow their noses, etc.);
2. They amuse themselves by writing letters, playing games, reading magazines, etc.
3. Inter communication.

All this should be understood as a response to students' boredom in classes. They want to actively participate in lectures: to criticize, grade, conclude, comment, etc. This kind of student behavior, other students see as a disturbance in class. Lectures should be organized so that students take responsibility for learning and behavior during lectures.

It's preferable that a greater emphasis is placed on the methods that include the work (head, heart, hands) and independence and all that in order to suppress side activities that interfere with school lectures. For this reason it is necessary to introduce classes which include both action and entertainment. Future Schools need to be developed faster and stronger than the old ones, follow the contemporary events and go in step with the times.

Work-oriented lecture is viewed as a lecture that includes the socialization of the student and therefore has the advantage to the standard subject lecture. Work-oriented lectures are based on the understanding that learning and work must be related, and that work should not be divided into mental and physical.

Work-oriented lecture is comprehensive and it completes the lecture process by joint work efforts of both students and teachers. Joint (mental, physical work) work affects the head-hand harmony in students [4].

Work-oriented lectures are based on:

- The fact that the student uses their reason and freedom,
- The fact that learning should be comprehensive, i.e. For student work to be in relation to head-heart-hand and reason (movements, micro-movements, operations),
- For the curious students to ask questions in order to better learn about the environment,
- The fact that teachers are not omniscient and that they learn from their mistakes,
- The fact that only a friendly life in the school gives good results.

3. THE CHARACTERISTIC OF A WORK-ORIENTED LECTURE

1. Work-oriented lecture is comprehensive and has a few aspects:

- Personal (i.e. mental and physical learning takes place in the teaching process);
- Content (i.e. teaching topics are selected on the basis of the problems and addressed questions in order to avoid a bland form of teaching, divided into separate classes).

- Methodical (if it is true that people learn better when using head-heart-hands then teaching methods must also be complete, which includes group work, work in pairs, different teaching interpretations).

2. Work-oriented lectures include student activities, i.e. Teacher tries to help the student as little as possible, actually allowing them to individually discover, learn and plan. In this way, to work independence is developed.

3. In the center of the work-oriented lecture, is a frame of results and work products. They further extend the work, play and learning. Work cases are planned by students under the guidance of teachers and are produced or conducted in the form of projects, experiments, exhibitions, fashion shows, etc.

4. Work-oriented lectures try to bring the individual interests of students in the teaching assignments to the expected exit point. Interests are not related to only one topic; they always have a special and personal dimension. Work-oriented lectures always create a free space in, which students can use and build in self-interest.

5. Work-oriented lectures, from the very beginning divide the students into groups for planning, implementation and evaluation of teaching. In this way, the teacher, in an open discussion with students, decides on the selection of the teaching goals, contents and methods in terms of aiming towards the work assignment.

6. Work-oriented lectures lead toward opening schools:

a). Opening from the inside:

- Joint bond of teachers and students,
- The establishment of individual ways of learning,
- The expansion of non-class teachings.

b). Opening from the outside:

- Creating space for learning (modern grouping, design office, etc.).

7. Work-oriented lectures seek to achieve the relationship between mental and physical work. In the process of learning mental and physical work stand one against the other, in a dynamic effects of change. Practical (physical) work is not a burden, but an addition to mental work. However, in our understanding, mental work is full of requirements, it's much more important and its more complicated than physical work. Such a wrong approach is established in our consciousness.

A lot of required processes of learning must always lead from the physical to mental work:

- Work in the direction of a certain goal, in the wrong assumption, must be guided from the direct, clearly more important work, toward the more valuable rationally controlled work.
- Interaction must lead from the target assignment of personal satisfaction needs toward socially moral categories of managed work.
- For each work and interaction indefinite speech communication must be further developed from the context covered assignment to the situational independent theoretical speech way.

The question is how far did this methodological model bring us in the school and the whole society, because until now there has been an existence of underestimation of practical work and the contradiction, emotional status and rationality?

It is necessary to apply the network model of mental and physical work in the learning process. Practical work is the result of spiritual and mental work. As in the initial stages of learning, i.e. in the school production occupations (garment technology, design and creation, etc.) it is necessary to involve lectures where both mental and physical work is recognized. Such comprehensiveness in learning would ensure a success in lectures.

During the systematic application of methods in the process of lectures a space is created for the independence of students in their study, their creativity and professional work (all this empirical research has been confirmed on the professional computer for design and modeling of clothes).

4. ORGANIZATION OF LECTURES

- Work-oriented lectures can not be achieved as competition but as a supplement to professional teachings. The leading role of a teacher is clear in the process of professional teaching. The teacher should be a highly educated professional, and possess the skills and mobility which relies on the modern scientific knowledge. He/she is, as such, an expert in their field, and we often call them instructional designers. In which: The instructional designer is a teacher who possesses expert knowledge, which means independence in the process of assembly, construction and lecture development i.e. finding solutions, optimal strategy, ways of work and learning, selection methods, modeling and design of teaching, and all with the aim of easier, entertaining and economical knowledge acceptance.
- Free work is the second pillar of the lecture organization where students and teachers talk about plans, learning tasks, organize time and decide which tasks and when to perform them.
- Project work should not be reduced to one week during the year, but to be embedded as an integral part of everyday teaching.
- The focus of the project is agreed in common teachings with both small and large intentions.

In these schools of the future it is offered for the school afternoon to be divided into three blocks of two hours: In the first block professional lectures would be implemented, in the second work of choice and third block would be project work. Order can be changed during the week. Work-oriented lectures can be implemented in all three organizational forms and in the class schedule.

Work-oriented lectures should be rarely used in professional lectures, in free time here and there, and in the project time completely..

The most important step in implementing work-oriented lectures is that teachers and students must understand each other on what should be happening in the working phase. This is probably the hardest step, because the teacher bears the responsibility to connect two, in principle different goals. The teacher must determine that the agreed guidelines are sufficient for production work, professionally and rightly applied and that they do not have excessive or insufficient requests. They must try to meet the subjective interests of students and with their authority and knowledge bring the students to their goal.

Students in the working phase, first of all, think of the work product and therefore organize their work accordingly. Teachers must pay special attention so that actual and methodical competence of students are expanded according to plan and to consciously seen through their own ways of learning.

5. CONCLUSION

There are many suggestions for and against work-oriented lectures and therefore it is necessary to give the theoretical explanation of the concepts.

- If the goal of the school is autonomy, then it should be practiced through the process of education.
- Work-oriented lectures can help students with the tough educational identity.
- Work-oriented lectures provide the ability to articulate personal interests, develop a conduct and on that it creates an image of life and the world.

- Work-oriented lectures are needed in order to be confronted with the gradual disappearance of reality in the process of learning.
- Knowledge is becoming more formal and abstract. Students are developing the need to understand the structure of the problem and to recognize the connection between them.
- Increasing appearance of multiple theories on the same topic, and practical aspects are out of reach. Aspects of work-oriented lectures are opposite to this rule.
- Work-oriented lectures are required to limit contradictions in the teaching process.

In this work we explored a completely new model of work-oriented education, which is completely changeable in the education of students in the field of garment technology on all levels of education. It is proven that students after the initial exposure can discover, learn and acquire skills and work independently to solve the problems in their work environment.

Considering the necessity of three very important factors (education, science and production) students in their work environment, using modern technology (CAD CAM system) very successfully completed their tasks, which showed motivation and they built their motor skills and acquired knowledge. Therefore, a work-oriented lecture model is absolute usable in the education of students in the field of garment technology.

REFERENCES

- [1] Schenkel, P. Instruktionsdesign für die arbeitsorientierte Berufsbildung (1993) , Berlin;
- [2] Sotirović V. : k.a: Didaktisches Design für die multimediale, arbeitsorientierte Berufsbildung (1993) Bundesinstitut für Berufsbildung, Berlin;
- [3] Jovanović J: Sticanje praktičnih veština, Prosvetni pregled list prosvetnih radnika RS, vr 2063 str. 8, februar 2000;
- [4] Voskresenski – Gvozdenov: Mogućnosti problemskog učenja korišćenjem obrazovnog računarskog softvera, PS u obrazovanju, Zrenjanin;
- [5] <http://linus.psych.tu.dresden.de/ihalt.m.html>;
- [6] Ministarstvo prosvete i sporta Republike Srbije (2004 b): Iskustva bivših jugoslovenskih republika u reformama srednjeg stručnog obrazovanja, saopštenje sa konferencije (Beograd, 17. do 19.11.2003);
- [7] Department of Education, nces. (2003): Comparative indicators of Education in the United States and other G8 countries: 2002 Washington, DC;
- [8] Muratović Š.: Metodčki modeli strukovnog obrazovanja učenika u dizajniranju i modelovanju tekstila i odeće, Doktorska disertacija, Zrenjanin 2004.

TECHNOLOGICAL DEVELOPMENT FOR A NEW MODERN ECONOMY

Sead Mušinbegović

Vispak d.d, Visoko, BOSNIA-HERZEGOVINA, e-mail: sead.musinbegovic@vispak.ba

***Summary:** Technological development is one of the most important factors of modern society. In order to achieve the development goals of modern society it is necessary for the appropriate level of development of research and development bases. However, many studies unequivocally indicate that the technological development of one of the most important factors of development. New technologies, initiate changes in all social spheres, but also society by taking control of the technological growth, is trying to restrict or at least lessen the negative effects of expansion and technological growth, the natural environment and its resources. Development and application of electronics across all encourage the total development of the society and eliminate the negative consequences of outdated technology. The effect of postcivilizational society imposes the necessity of institutionalization of research and development, changes in the sphere of knowledge and technology, and, indirectly, moving the economy from primary and secondary in the tertiary sector. Modern economy, expansion of technology and electronics - particularly in the field of computers and communication, industrial process changes which are not primary determinants of changes in structure and values. Scientific and technical knowledge, promote the production process, which expands to all aspects of social life.*

***Key words:** technology, research, development, modern economy.*

1. INTRODUCTION

In a certain case, in conditions of third technological revolution, with all problems and consequences that it brings, there is a question how they can be overcome by existing theories and forms of organization of business and society in the world and if the problems of development of society which are a consequence of the third technological revolution, demand a radical revision of economic theory or finding new strategic approach in business activities and society itself.

During world economical crises in seventies, for a long time there was explanation that it could be solved by new development strategic politics on the bases of existing characteristics of individual countries, based on the level of their development and political system. Numerous research and seeing all aspects of economic crises, led to realization of most of the authors that the third technological revolution shows the **necessity for a new economical theory**, and with it a certain politics of business development as a whole. Such understanding goes for the countries of capitalism, socialism and undeveloped countries caused by the third technological revolution, but every country awaits it with different social and material performances.

"It all creates one extremely complex world ambience, where every country, for itself has to form a development strategy, and knowledge is already so big and it is clear how they could be transferred from one type of country to the other" [9, pp. 3]. The third scientific and technological revolution, represented a new era, where the level of education and including science in fundamentals of companies and society without exclusively depending from technological modernization. In the conditions of current dynamic scientific and technological progress, especially huge demands are set about the quality of human resource as main source of wealth of a society. The development of modern world business sets as necessary condition the presence and activities of more and more highly educated people in all branches of business. Management functions are seen as changes in direction of higher involvement of creative and innovative business. Operativity is changed by creativity, the basis is moved to creativity and innovation and asks for constant increase of the fund as existential need for successful work of management, so that they are capable to influence their own future.

Individuals also go under the law of growing specialization, and that makes their joining together harder. Progress of science and knowledge in different departments, brought more efficient care for parts, but the whole was discharged. Changing wisdom for precision, bringing down science to technics, show one more time that even the modern times are not without weakness.

Educated man in modern society is aware of the fact that the more he learns about the world, the more his knowledge about the problems which are unsolved is more detailed and more precised" [1].

Technological development in developed countries is motivated by further improvement of technology in order to take economic effects and discharging opposites made in certain social conditions. Developing countries have to learn about the modern technologic development expectations to fasten and speed up the process of their development and help them to come into the international division of work with the developed parts of the world.

The contribution of technological development to the rate of bussines growth is much higher than the cumulative contribution of all other factors of production, because the growth of productivity of work is based mostly on technics, technology and education, so growth of production is see as result of investments in science.

2. TECHNICAL PROGRESS AND TECHNOLOGICAL DEVELOPMENT

Emphasised importance of technological development in modern conditions asks for more precise determination, definition of the terms 'technical progress', 'technological development', 'technological changes' and 'scientific and technological changes', in order to see more clearly the consequences of this phenomenon. In domestic and foreign literature we comparatively meet many terms which are most commonly used, such as: 'technical progress', 'technological progress', 'technical and technological progress' and 'scientific and technical and technological progress', 'scientific and technological development and 'technological development'.

Certain number of authors puts a sign for equality between these terms seeing them as the same terms, while some authors put a sharp distance between them [15]. The different view of technical and technological progress is caused by different definitions of the terms 'technics' and 'technology'.

Under 'technics' we see a group of means for world in the widest sense of the word, so under 'technical rogress' one should see the invention of new and more modern means for work. Term technology has roots, like many other term, in Greek language, and it could be defined as a group of thoretical and practical knowledge that people use when they apply strength and skills with different raw materials, and processed food in the process of production. 'Technological progress' is a part of production process in which raw materials are turned into final product by mechanical and technical acts and chemical and technologica processes [5].

In engineer disciplines, the term technology is brought in tight connection with the means (machines, equipment, tools) that we use in processes. Technology in our practice is in different and numerous methods, processes, technics, under whose influence we have transformation and-or positioning of raw materials with the aim to add into input the value and create the output that satisfies or serves some of people's needs.

In detailed professional literature there are many similar definitions of the terms 'technics' and 'technology', that is 'technical progress' and 'technological progress'.

Galbraith [2] under technology sees 'a systematic application of organized knowledge for practical activities', Baranson under term technology sees 'productional technics, management system and organization of the process of production'. In the paper 'New industrial society', Galbrajt gives his thoughts about big companies and says that leadership of big companies is a consequence of complicated nature of modern technology [7, pp. 132].

"Technology comprises a group of knowledge and skills that relate to physical, chemical and other processes of processing of raw materials and half products according to which the technology is used in production. The certain technology, includes the usage of specialized equipment, energetic sources and materials. Also, on the other hand, certain equipment and other following conditions ask for the usage of certain technology.obrade" [13].

3.THE TERM AND CHARACTERISTICS OF TECHNOLOGICAL DEVELOPMENT

Evolution in term technology was seen only through processes in material production. The term technology has today much wider sense thanks to its presence in all forms of men's activities, and society in whole, in material and non-material production.

The word 'technology' probably comes from two words: "*tehne*" which is a skill or knowledge of man to do certain job and "logos" - science. Since technology comprises science, skills and capability of man to satisfy his needs, the roots of the word technology should be questioned.

Technology is used to satisfy man's material and non-material needs. Material needs are defined as natural and physiological needs for health, moving, protection of natural disasters, unlike non-material that comprise needs for creativity, identity, participation, education and others.

Term technology evolved from the earlier strict definition through processes in material production to today's much wider sense thanks to:

1. presence and acting of technology in all fields of man's activities in material production and out of it, and
2. evident and important influences of technology in all fields of man's work.

The importance and the role of man is undisputable. His actions on nature and society are also important. He develops technology for his needs and the needs of the society as a whole. With it, he confirms his primary place and role in the usage of technology for constant technological progress of mankind.

By looking at technology, man and society we see relation of technological and sociable progress through these three cycles:

1. Cycle of increase of income which leads to the growth of technological achievements and improvement of the process that results with higher productivity and conditions growth of income.
2. Increased income gives the bases for new technological innovations in the form of new, improved products, causing the growth of income.
3. High growth of income enables growth of living standard, and higher savings per person which is an indicator of higher investment potential of society.

Through historical development of technology, we see the relation of technology and nature which starts by man's fight to survive in natural environment. The first and very important function of relation of technology is the effort of man to adjust nature as much as he can to his needs that has certain effects and influences on natural environment.

Some negative effects of man's adjustment of nature are evident and they demand serious and responsible approach to the solution of the caused consequences. Also it is very important to give more attention to exploitation of natural resources, finding new alternative resources, ecological protection, permanent restoring of nature and protection from the attacks of those technologies that are based on bad usage of natural resources.

Existing differences in definition of term technology come from the level of generalization and abstraction, so this term is defined from the aspect of two phenomenon: macro phenomenon and micro phenomenon.

Tehnologije se razlikuju i na osnovu tipa resursa koje koriste:

1. IT (information technology) – resources are information;
2. Traditional productional technologies – physical resources and physical equipment in production;
3. Modern productional technologies (hybrid technologies) that work with physical resources under the control of automatic informational systems, in combination with flexible production systems, robots...

4. DYNAMICS OF TECHNOLOGICAL DEVELOPMENT

The dynamics of technological development, for the most distinguished researchers represents a key factor of modern business and social development. Having in mind its polyvalent work and consequences it causes, for technological development we can say that it comes to 'group of phenomenon that is studied in the modern world from different aspects' [5, pp. 17].

Introductory quotation by Daniell Bell from 1973. goes together with modern economic developing determination, the one that puts in the first place the category called knowledge. Bell sees the importance of new technological sphere in systematic development of research and creation of new, scientifically based industries, such as electronics, polymers etc. 'Systematic developing research' of Bell are coherent with the opening of numerous technological parks, which shows the necessity of development of new technologies in whose center is theoretical knowledge to dominate productional sector, providing further progress of society.

" Vision of linear expansion" of progress of mankind is by Kahn based on the extreme expansion of new technologies that get wider and wider application, seeing that in the past it was necessary to have more time to implement new technologies, unlike today's dynamic development of society in which new technologies are directly included in the process of production, that is services.

Kahn uses the term of koristi pojam 'synergism' with which he explains the simultane improvement and progress by application of new technologies not leaving out the random, unexpected benefits and innovations in some other field than in which technological solution was deliberate [4]. When it is synergy, the according Vujaklija, 'joint action, cooperation, helping, joining several organs (muscles) to perform some action or a movement'.

Intensive technological development of mankind is noted in the period from 1820 to 1900. and that is the era of 'industrial development', with characteristics of important inventions such as steam machine.

That historical period of development is called industrial revolution that is becoming informational revolution today, and future revolutions belong to bio-technologies and bio-engineering.

There were three key periods in the industrial revolution mentioned (and there were more of them):

1. till the end of XVIII century, period of energetic engineering when human energy was exchanged by work of machines,
2. till the end of XIX century, period of mechanization when usage of electricity conditioned mechanization, and
3. since 1950, time of automatization based on the development of IT and technology of microchip.

From the point of view of technological development and changes in the field of organization and government, there are three historical periods:

1. Period before Taylor- characteristic for new working habits, new discipline and new business activities,
2. Period of mass production – Frederick W. Taylor and his followers (Henry Gantt, Frank and Lillian Gilbreth – School of scientific management, set a new profession – industrial engineering, scientific methods of government meant for allocation of means, for measuring, value of work and control and coordination of production processes was improved, and and
3. Period of flexible production – where the biggest influence is given in management to technologies and flexibility in production systems. Managers get a bigger role in technological innovation.

There is another way we can divide time according to development of technological innovations and social changes:

1. 1820. time of mass production-beginning of modern history of business life when development of technological innovations went together with social changes which caused the creation of business firm. Special attention is given to development of mass production which progressively decreases the expenses per unit of product – 'standard product with the lowest price wins'
2. 1930. time of mass marketing – beginning of movement from productional to market orientation, differentiation of the product, development of competition of the market, and innovations of products take over from innovations in process, and
3. period to 1950. which is marked as post-industrial time – time of computers which brought about new technologies, competitors, products and integration of all parts and functions in the company for the best positions of the company on competitive market.

At the end of XX century, Toffler was the first one to use the term 'Knowledge society' to describe the society which was in making: new world based on knowledge. Progress of technology and science in the last twenty years confirmed his predictions. Technological, technical and scientific elite changed the world we live in and the way we think [17].

"If we see technology as a big engine, strong accelerator, then knowledge can be seen as its fuel. We came to the crossing of process in society, because the engine is filled more and more every day" [11].

Bzezinski, following the ideas by Norbert Wiener, thinks that inventions of compass, gun powder and printing, in the XV century, were initial factors for a future industrial revolution. Using analogy, Bzezinski as functional equivalent to compass sees explorations of space, equivalent to gun powder nuclear fission, and printing television and other modern means of mass communication. According to this he concludes that consequences of new, technological revolution are seen in all field: economics, politics and culture.

In wider sense, under technology we see way and method of getting, processing of raw materials, materials or products in different business branches. Technology as a scientific discipline constantly develops and improves numerous methods and jobs. Technological processes are the processes of getting, processing, transport, warehousing and perserving for realization of productional projects. Technology is also a detailed description of productional processes, according to obligatory international standardizations.

Term technology is usually connected to some business branch (machine technology, construction technology) or for the way we get-process certain materials.

5. TECHNOLOGY AS A SCIENCE

Technology as a science has a task to determine and choose those chemical, physical, mechanical and other laws in the course of natural processes, which can be realized for the most efficient productional processes, for the shortest possible time, smallest usage of material resources, and that can increase productivity and efficiency.

All existing technologies have one common characteristic that is seen in the fact that technologies are constantly changing which is a result of new scientific knowledge.

Modern technology – modern technological system is basically a group of methods, technical means and systems that with a proper organization, have as aim to get products – goods and services.

There are numerous definitions. For a scientist Strumillo-Petrashkevich technological progress is '...lawful historical process of improvement of tools for work and methods of production and whose result is constant increase of level of productivity of work under which we mean saving of live work.'

Respected Serbian researcher Radmila Stojanovic defines technical progress in wider sense as '...something more than new machine, new facility, new raw material or new technical progress, but also various methods of better

usage of familiar elements of production and familiar technological processes, that is structure changes in whole material production that enable growth of average productivity of work and higher efficiency of usage of all resources' [8].

T. Vujkovic states that 'technical progress can be defined as economical phenomenon that shows every change in the means for production, technological processes and organizational forms of production and spreading, which leads to the improvement of production, to increase of value of product, to reduction in expenses of work per unit of product, and to progress in knowledge of producer and conditions of their work' [16].

Under technical progress N. Cobeljic means the following: '...constant process of improvement of means and objects of work and sources of energy, introduction of new means and objects of work and sources energy, introduction of new productional methods and way we organize and run the production, and in whose result we accomplish increase of productivity of work' [3].

Emphasising that for S. Urosevic technical progress is economical progress, that it is not one dimensional process explained with simple definitions, he says '... it is a complex process characterized by dinamic and root changes in production bases, especially elements, functions and structure of means for work, as well as functions of man in the process of production' [14].

Definitions of technical progress have a stamp of time when they were said, but beside that 'stamp' of time, they jeeo their precision. There certainly are differences between technical progress from the early stages of development and modern technical progress but there are some point where they are the same and talk about negative effects of technological progress on man as individual.

Direct connection of science with prodcuton asks for formulation of logical and metodological assumptions of fundamental and inovative researches. The term inovation does not have completely precise definition because of the similarity with the terms invention, scientific invention and scientific research.

Fundamental researches make theoretical or experimental work, represent gathering of new knowledge or discovering new fields of research, with long-term goals of application. Applied research make creative work which is completely and exclusivelly based on results of basic research, with the aim to solve certain practical (technical and technological) problems. Development research are focused to a goal of winning production of new or improvement of existing materials, products and devices, that is, introduction of new or improvement of existing systems and services.

Scientific and research work is in fact projection of creativity of man who organizes that work and does it, while research represents the complex intellectual process, whose purpose is to determine laws and regualtions which rule in nature, human society and human opinion [12].

In metodology of scientific and research work there are couple of phases. These are the phases [10, pp. 25]:

- phase of choice of a theme for research;
- phase of defining a problem and setting hypotheses;
- phase of gathering important data for research and processing;
- phase of analysing and showing gathered data of research, and
- showing received results of research.

Inventiveness and scientific and research work have primary importance for economy so that knowledge as fruit of scientific and research works in the 90s, have participated in the total income of Germany with 45%, in the USA with 60% and in Japan with a total of 75% [6, pp. 74].

'With the development of new technologies and more intensive spending of natural resources human civilization fulfills the vision of constant growth and material rise. Material growth is evident, with uncontrollable spending of natural resources with unpredictable cosequences of destruction of natural environment. Global changes of climate, great damages of ozone layer, destruction of great number of plant and animal kinds, discontinuity between increase of production and possibilities of processing and technological waste [10, pp. 26].

World is confronted with a great challenge, looking for a way to insure the trend of economical growth we have had so far with the protection of environment and usage of natural resources. The solution is in development of new technologies which are focused not only to increased productivity and efficiency, but also to savings of natural resources with the efficiant recycling of secondary raw materials, cleaning of dirty waters and gases.

6. INSTEAD OF A CONCLUSION

Technological development represents one of the most important factors of modern society. In order to fulfill the developing goals of modern society, it is necessary to have certain level of development of research and development bases. Numerous research undoubtably show that technological development is one of the most important factors of modern development.

New technologies initiate changes in all spheres of society, but at the same time take over control over technological growth, trying to limit or at least weakens the negative effects of expansion of technological growth, for nature and its resources.

Dynamics of technological development represents key factor of modern business development. Having in mind its poly-valent work and consequences it causes, technological development comes into the 'group of phenomenon which are studied in the world from different aspects.'

Technology as a scientific discipline constantly develops and improves numerous methods and jobs. For scientific and research work it is important as projection of creativity of man who organizes and does that work, unlike the research which represent complex intellectual process, whose purpose is to determine laws and regulations in the nature, human society and human opinion.

Inventors and scientific researchers are present in all layers of society, in all professional groups, in all religions and nations, constant fighters of a special revolution which happens all the time. The results of their constant works are spread on all the territories, all countries of the world, no matter of the system. They are citizens of the world and their 'revolution' is expected by everyone, because it is always creative, with all effects of social and economic welfare. Their ideas and creations in science and invention, can not be conditioned and limited by working space and working time.

Complete analysis of economic development shows that important part of the growth of productivity is connected to saving in productional process and quality of used resources. No one is trying to say that changes in productional process were not enabled because the inventions in the field of technology.

According to numerous research and seeing all aspects of economical crisis, there is a necessity for a new modern economic theory.

REFERENCES

- [1] Božidar Mihajlović, "Znanje je moć", časopis *E-magazin*, br.50, 2007. Beograd.
- [2] Galbraith, J. K.: *Nova industrijska država*, prevod, Stvamost, Zagreb, 1970.
- [3] Čobeljic, N., *Privreda Jugoslavije - rast, struktura i funkcionisanje*, Savremena administracija, Beograd, 1974. COBISS.SR-ID :64841223
- [4] Kahn, Herman; Wiener, Anthony, J.: *The Year 2000*, Macmillan, New York, 1968. ID: 007293
- [5] Mandal, Š. i Carić, M.: *Strategija razvoja u uslovima treće tehnološke revolucije*, Privredna akademija, Novi Sad, 2006.
- [6] Pejović, S.: "Razrovan put", *Pronalazaštvo*, 1989., br. 74.
- [7] Pirs, D. V.: *Moderna ekonomija*, Dereta, Beograd, 2005. str. 132. ISBN: 86-7346-326-2
- [8] Stojanović, R.: *Planiranje u samoupravnom društvu*, Savremena administracija, Beograd, 1976.
- [9] Stojanović, R., *Teorija privrednog razvoja u trećoj tehnološkoj revoluciji*, Savremena administracija, Beograd, 1987.
- [10] Stojanović V. : *Tehnološki menadžment*, APEIRON, Banja Luka, 2009. ISBN: 978-99938-29-90-4-81-2.
- [11] Toffler, A.: *Šok budućnosti*, Svetlost, Zagreb, 1975.
- [12] Tričković, K. : „Organizacija i tehnika naučnog rada“, *materijal za nastavu, Ekonomski fakultet*, Niš, 2002.
- [13] Urošević, S., Mikijelj, D., *Tehnologija* (drugo izdanje), Ekonomski fakultet, Beograd, 1977.
- [14] Urošević, S.: *Tehnički progres kao faktor produktivnosti rada*, Rad, Beograd, 1976.
- [15] Vrcelj, D.: "Dugoročni tehnički i tehnološki razvoj Jugoslavije sa interpretacijom ekonomskih efekata", *Institut za ekonomiku industrije*, Beograd, 1972.
- [16] Vujković, T.: "Kvantitativna analiza tehničkog progressa", *Informator*, Zagreb, 1972.
- [17] <http://www.media-net/>.

FINANCIAL MANAGEMENT AND FRANCHISING EXPORT POSSIBILITIES

Predrag Nikic, Ljiljana Filipovic, Snezana Nikic-Milosevic
University "Alfa", Faculty for Commerce and Banking, Belgrade, SERBIA

***Summary:** In the situation of destructive consequences of the world economic crisis, importance of financial management and franchising as a specific form of the corporation financing grows, specially because it is known that mistakes in the business of financial institutions start the chain of undesirable global business losses. There is no space for experiments at the market of products and services, and franchising may be perceived as a proposition for overcoming of dilemma in the business decision making, specially for the entrepreneurs who wonder how and with what to make a start. In a complex corporate conditions, new knowledge and skills of employees are necessary in financial management, as well, and not only in financial institution but in all corporate subjects. This article shows an attempt to represent issues of financial management from the new angle in order to make it possible to lighten the whole versatility of particular financial subjects in domain of complex and actual financial practice. Financial management sees franchising as an instrument to acquire, finance and manage the property with, where the constant source of financing is ensured. We may conclude that it is not enough only to possess financial resources but also the vital financial management concept which projects profit. It means that domestic corporations – that recently received franchise may appear with their franchising concept, as the active providers of franchise with efficient replication of the successful concept to another locations. Franchising business along with proper concept of financial management may be important factor in development of more efficient business ambience in Serbia, first as recipient and later as a provider of franchising concept. We can also observe franchising system as a form of financial management that enables efficient manner of investing of the intellectual capital to the foreign markets which would significantly contribute to improvement of the balance of payments in Serbia.*

Key words: franchising, financial management.

1. INTRODUCTION

Financial management is a specific aspect of the management system because finances penetrate into all dimensions of organization from management to technologies to human resources. At the internationalized market of services, franchising represents the most present instrument of financial management. Considering the fact that our organizations are insignificantly represented as the franchisors, for the balance of payment in Serbia franchising system represents drain of the foreign currency in the name of financial assets which are extracted as a percentage from the sale and registration fees which franchisee is obliged to pay to the franchisor. In this article we consider possibility to perceive franchising in the light of preparation of domestic financial management to integrate acquired franchising knowledge. We survey possibilities in which financial management would express preparedness to propose to the top management further placement of the franchising concept into another corporations in the country and abroad relying on the previously gained experience. Advantages that the globalization processes give by forming massive market are in the shadow of the effect of facilitated possibility of problem transfer to all other markets specially when the epicenter of the economic crisis is placed in the biggest world economies. As the witnesses of consequences that local economies have from the world economic crisis, every proposal for overcoming disintegration of economic market mechanisms gains special significance.

2. FRANCHISING AS THE FORM OF FINANCING

In Serbia, as well as in other countries which passed through the process of transition, franchising, as the form of financing, should gain its real significance, whereas in the countries of the market economy it is present as the form of financing for a long time of period. Planning precedes to every financing. Along with detailed study of the cost effectiveness, franchisors appear as well as providers of the means in the form of providing intellectual “credit lines” to the franchisees. Franchisors invest surplus of the financial assets that they avail with. Franchisees as the users of those assets this way try to ensure short-term or long-term financing of their business. This form of financing enables franchisee to ensure lower costs of financing because this form of using assets given by franchisor are significantly lower than the existing costs. Franchisor carefully chooses to whom he is going to sell franchise and this way he neutralizes possibility of the high rate of failure [5]. Long-term goals which are formulated in the business plan by financial planning are transposed into numbers which project incomes, profit and possible expenses. But business plan of franchise investment must deal with property assets and liquidity. Financial planning gives answer to both franchisor and franchisee whether there is a further need for the capital because of the planned investments and when there could emerge eventual undesirable situation regarding liquidity. Financial management ensures clear picture of the cash-flow to franchisors and franchisees, i.e. expected income against expenses (business costs). In franchisor and franchisee’s decision making process it is very important to have a picture of expected financial result with a certain amount of assets which will be invested, but also the rate of the income quantity in relation to the extent of the business activity. Although franchising concept doesn’t ask for a big investment from the franchisee, financial management sometimes have to address the banks for the credit assets. Banks may ask financial management for the data which will be indicators of financing. Creditworthiness of the franchisee, additionally, will be estimated on the basis of disposable private capital. Franchisor requires financial plan from potential user with special review of the liquidity indicators. Franchisor is interested if franchisee is going to be solvent in the near future, that he is capable to acquit outstanding debts; franchising registration fees, rents, incomes, interests, supplier’s account or agreed percentage to the franchisor.

While we use the plan of the capital inflow and outflow to compare predicted expense and income, with the plan of liquidity franchisee considers possible income of financial assets. Expected financial income (claims encash) relates to the obligations which became due for payment (disbursement of obligations). If this relation shows that there is “bottleneck of liquidity” franchisor may withdraw from signing the contract on franchising and refuse requirement of the applicant.

Franchisee’s Advisory Council appears to be the best cohesion factor in considering promotional campaigns. Consultative firms that insist on usage of financial projective instruments have very important role in creation and implementation of the franchising program. Support of consultative firms influences positive attitude of franchisor when deciding to “credit” franchisee. It shouldn’t be forgotten that franchising evolved from the method of distribution, through the method of marketing, a special form of business organization to the specific form of financing. Characteristics of franchising business provide organizational solution for domestic and international marketing of services which perfectly matches with contemporary business surrounding but also as the form of financing. Services are more and more important in all developed economies and those that tend to be the one. Franchising enables overcoming of fragmentation of the service industry because there are generated conditions for business in the countries all over the world without direct engagement, which is revolutionary concept for this sort of activities as the services are. Services are intangible and their production and consumption are simultaneous and heterogeneous. They cannot be produced massively, but on dispersed locations, along with consumer’s presence. It shouldn’t be forgotten that the wholesale franchisor and retailer franchisee remain independent economic subjects regarding ownership, therefore economic concentration is not pronounced. As organizational form, it enables fast penetration into many locations with successful control of business on all locations. Innovative service concept may be protected by efficient replication of that concept to the other distant locations through franchising, which enables efficient control and standardization. Franchisors who have bigger number of objects under franchise on domestic market will more easily engage into an international franchising. Franchisors consider cultural differences, as well, which enlarge problems of efficient communication, choice of the management system and business control. Franchisee have validated local contacts because he originates from that surrounding, he lives and works there and he is accepted in that social surrounding. This way risks and barriers in international market which go along with world trade may be decreased [9]. In franchising, there is present modern approach to the process of the human resources selection, specially in financial management. Employees are expected to be open to accept corporative values [8]. Franchisor provides detailed training and constant support in acquisition, selection and development of human potentials to franchisee which lowers the level of the risk of failure. Influence of franchising reflects in attentive relation towards employees. Aspirations are directed towards ideal, to realize organizational goals and to fulfill employee’s needs which is very important in the era of economic crisis. For the reason of specificities of franchising as the form of financing, management of human resources pays special attention to the selection of

financial professionals who have multiple roles in the organization. Franchising system of business influences the change of range, form and place of employment as well as the investments in retail sale and service industries. Concept of franchising appeared to be more efficient than export through representatives or variants of building own sale facilities and forming own distribution network in every country. Franchising contributes to the creation of new business units. It has been noticed that franchisees invest into promotion, they invest more money and employ in a higher percentage than small independent companies that lead business without franchising. Success of franchising as the form of financing reflects in applicability of the uniform methods without attenuation of the entrepreneur's initiative. Franchisees are obliged to hold to the operational rules given by franchisors in exchange for almost complete freedom in marketing. Intellectual systems are managed instead of machines and workers. There are constant innovations in the sphere of the product/service design and promotion. However, success is not to be achieved only by managing the values and ignoring the technologies and vice versa. Double factorial orientation toward technology and values management is the key to success. Priority in the service industry is to be achieved by concentrating on the smallest costs unit, describing it in the operational manual and replicating it. Franchising manual gives operational instructions to the franchisee: how to make: products; administer services; wash the windows every day; take care of supplies, prepare financial reports... Instructions insure that operational details, which used to require a lot of effort to overcome, become routine. In this manner financial management has reliable information at every moment which enable usage of financial projective techniques.

3. ORGANIZATIONAL CULTURE – INSTRUMENT OF FRANCHISING CONCEPT

In some franchising houses organizational culture may be qualified as ideology and organization itself as missionary. Organizational culture is initiated by proclamation of the founder's mission, it is strengthened by the stories – “myths” and reinforced through identification of the individuals with organization, through their loyalty to organization and proper guidance of the managers. There is a number of myths about cleanness and value orientations toward clients, quality, organizational goals, innovations. Although franchising organization is standardized, it is rather creative in propagation and development of the new products. Under uniformity, there vibrates organizational culture that respects flexibility. For example, franchisees are promoted as the key innovators who enable precedence over their competitors. All franchisees are partners and everything that one of them develop with intention to improve his local business, he gives to the others in the system without compensation in order to improve performance of the whole system. Highly standardized work, simple system of production (both of the products and services), mass production (on conveyer) give to franchising organizations machine configurations. It is important that franchising organizations have unique configuration which gives them recognizable identity in their surrounding. Organizational culture influences selection of the human resources: acquisition, selection, education, motivation, interpersonal relations and rewarding in organization. Franchisors pay special attention to organizational culture [7]. By franchising, franchisors provide enough assets for growth, protect business formula, overcome problems of acquisition and management of appropriate human resources, insure more prompt expansion through this nonspecific form of financing [3]. Franchisor is aware that this way he will accomplish lower profit per object, that higher independence of entrepreneur will show up and that reaction of potential concurrence is possible. For franchisees there is a danger of high dependence on franchisor, significant loss of freedom in determination of the assortment and prices and that he will have to pay compensation for provided services [10].

4. REDEFINED FRANCHISING FORM OF THE EXPORT FINANCING

Nevertheless, franchising gives more assets (to franchisees) than independent business because, in the phase of maturity, when they are educated and enriched with experience, it gives them possibility to place the same franchising organization onwards as the form of their own franchising concept which will be enough attractive for the franchise purchasers. Franchising may be considered as the method of the fast growth, however it cannot possibly serve as a substitute for the basic elements of successful business attempt, such as: product or service which already have its market, careful planning, persistent work and capital, as well as control in all phases of the system development. Franchising is the concept. Educated franchisees very often become franchisors. Franchising is a specific concept which enables introduction of the new product or service into already developed form of marketing. New product or service may appear as the offer to the new candidates for assumption of the concept of franchising. Franchisees gain competitive advantage at the market because this way they ensure already established and recognizable commercial name, validated product or service, lower financial investment, which the most directly lowers business risk in the era of significant economic uncertainty but it is also a tested business concept. Verified organizational business concept is the core that franchisee receives and is

educated to apply it. Franchising management and organizational concept gives successful result. It used to be believed that commercial name is the key of success. However, franchising concept offers to the franchisees very applicable knowledge which may be used in their own franchising concept. There is an increasing number of companies that think about and prepare to implement franchising export concept.

5. CONCLUSION

Modern approach to financial management emanates from the sharp economic growth and fast technological changes, which influenced significant growth of the managers' responsibility for the company's success. Actuality of this subject emanates from the fact that failures, wrong projections, prognoses and lack of sufficient control in the field of financial management of the big financial multinational institutions contributed to the world economic crisis in a significant extent. For franchising relation, two decisions are important. The first of them have to be made by potential candidate for franchisee and it is related to decision about entering the process of candidacy. The second decision makes franchisor and it answers the question if the candidate should be allowed to receive franchise. Both sides have to make a prognosis of realization which firstly depends on financial resources, existence of the needed organizational structures, motivation of the executive... Financial prognostication represents inspection of the possible conditions, possible manner to achieve planned financial condition in the future and estimation of probability of their achievement. It is aimed to determine: possible range of financial resources in prognosticated period, financial sources and manner of their usage. It shouldn't have been forgotten that the most important financial goal of the company is the maximum of profit. All business decisions of the company have financial implications (positive or negative). All phases of the business process (supply, production, sale, financing) should be perceived from the financial aspect, as well. All property and sources of financing, incomes and expenditures and the money flow are traced and expressed in money. Salaries, taxes, dividends and other obligations are paid in cash. Therefore every organization is a financial system, too. Franchising system of business have the wider social-economic implications. In our conditions, lack of support to franchising business disquiets and it comes from insufficient knowledge about franchising concept. The most common motives for internationalization of franchisors are the market potentials, vicinity to domestic market and interest of potential partners. Franchising business system enables efficient way of the products and services export to the foreign markets but in the form of financing and that way it significantly contributes to the improvement of position of the trade balance and services balance in the payment operations. Franchising is the way of improvement of the payment balance positions because activity of franchisors realizes intake of the foreign registration-fees and multiplied percentages realized by the sale, without significant expenses and capital investments.

Financial management perceives franchising as the instrument to gain, finance and manage property, which at the same time ensures the constant source of financing. We can conclude that it is not enough to have financial resources but also the vital financial management concept that projects profit. Franchising is, therefore, an export potential that could become one of important forms of business cooperation where domestic companies would appear as vendors of franchising concept, as well. Phenomenon of franchising should be further observed because it can significantly contribute to the development of the more efficient entrepreneurship in Serbia, from the angle of franchisee and franchisor as well as from the angle of refined form of financing.

REFERENCES

- [1] Glušica Zdravko: Franšizing, Novi Sad, 1991.
- [2] Kandić, V.: Globalni pristup franšizinga u marketingu usluga, Ekonomski fakultet, Beograd, 1994.
- [3] Keup, Erwin: Franchise Bible - How To Buy A Franchise Or Franchise Your Own Business, Osh, 2007.
- [4] "Kooperacija (franšizing) - uslov opstanka malih privrednika i velike korporacije": zbornik radova: Sabor malih privrednika - Vrnjačka Banja, 1990.
- [5] Maitland, Ian: Franchising – A Practical Guide for Franchisors and Franchisees, Esh, 2006.
- [6] R.L.Miller, David D.Van Hoose: Moderni novac i bankarstvo, Mate, 1997.
- [7] Nikić, Predrag: Emocionalna inteligencija menadžera u korporativnoj kulturi kao faktor organizacionih promena "Obrazovanje, nauka i proizvodnja", Zbornik Univerziteta "Sukhov", Belgorod, Rusija 2008.
- [8] Nikić, Predrag: Povezanost vrednosnih orijentacija i preferencija životnih stilova menadžera i korporativne kulture, Anali Ekonomskog fakulteta u Subotici, br. 18, str. 163-173, 2007.
- [9] Seid M.& Thomas D.: Franchising for Dummies, Dialog, 2007.
- [10] Tomzack, Marta: Tips & Traps When Buying a Franchise, Trob, 2005.
- [11] James C.Van Horne, J.M.Wachowicz J.R: Osnove finansijskog menadžmenta, Mate, 2002.
- [12] Vunjak, N.: Finansijski menadžment, Ekonomski fakultet, Subotica, 1999.

- [13] Web site: www.franchiseparis.com (January 12, 2009).
- [14] Web site: www.pks.co.yu/fransizing (August 14, 2009).
- [15] Web site: <http://www.thebfa.org/choosing.asp> (June 11, 2009).
- [16] Web site: <http://www.wikihow.com/Choose-a-Franchise-Business> (April 10, 2009).

MEAN OF REENGINEERING

Srboljub T. Nikolić¹, Zoran I. Cvetković², Milenko Ušćumlić³

¹ Center for Logistics Training of Serbian Military, Čuprija, SERBIA, e-mail: srboljub.nikolic@yahoo.com

² C&C-consultant, bankruptcz proceedings and consultings, Niš, SERBIA, e-mail: sekretarcc@yahoo.com

³ Erste Bank a.d. Novi Sad, Department of Sremski Karlovci, SERBIA, e-mail: milenko.uscumlic@erstebank.rs

Summary: In their book *Reengineering the Corporation*, Michael Hammer and James Champy describe reengineering as "the radical redesign of a company's processes, organization and culture." This presentation describes the conceptual framework of reengineering, relates reengineering to the work of technical communicators and calls on technical communicators to take leading roles in reengineering their own organizations.

Keywords: reengineering, business process reengineering, organization.

1. INTRODUCTION

The globalisation of the economy, the accelerated the dynamism of the contemporary world, the passing from an informational society, the increase of the role of the human factor, had as follow up the appearance of some new branches in the area of science, unknown till nowadays, which progress thanks to the attracting of accomplishments from different areas of the contemporary science, especially in the domains of: mathematics, information technology, sociology, psychology, ethics.

A new direction in the contemporary management, studied in the strategically management area is known under the name of reengineering, representing a solution to encompass the difficulties and to the growth of the efficiency of enterprises activities.

The reengineering is quick a large and complex notion. Presently, in the scientific literature, there is a quite a large number of definitions of the reengineering.

At the same time, a series of researches prefer the term *business reengineering*, while other researchers are willing to discuss about this phenomenon only strictly connect to *business-processes*, that is, they use the term *Business Process Reengineering* (BPR).

Historically, business organizations have been structured and managed by the division of labor; that is, the work is broken down into smaller tasks. These tasks are performed by specialists, are more easily managed and accounted for and—as it turns out—contribute more to the costly fragmentation of the organization than to its profitability. Reengineering demands a process-oriented redesign managed by teams of workers who are charged with what Hammer and Champy call "discontinuous thinking—identifying and abandoning the outdated rules and fundamental assumptions that underlie current business operations" [1].

The difference between reengineering and initiatives such as Total Quality Management (TQM) is the difference between tearing out walls and simply applying a fresh coat of paint to old plaster. Like reengineering, these programs commit all employees to the improvement of work processes; however, change is incremental and slow. Making incremental improvements in existing business processes is not reengineering. "Reengineers start from the future and work backward, as if unconstrained by existing methods, people, or departments. In effect they ask, 'If we were a new company, how would we run this place?' Then, with a meat ax and sandpaper, they conform the company to their vision." The goal of reengineering is nothing less than the "reversal of the entire set of governing principles that shaped American industry for 200 years."

Such radical change has not occurred apace in all cases. In a study of 20 reengineering projects, Hall, et al concluded that "reengineering has been not only a great success but also a great failure." Only 6 of the 20 companies that we analyzed in detail achieved an average 18% reduction in business unit costs. It is important to

note that these companies had performance improvements along multiple dimensions, typically cost, revenue, time, and quality. Only those projects that were sufficiently broad and sufficiently deep produced widespread and long-lasting bottom-line results.

2. LITERATURE REVIEW

Hamper and Champy (1993) defines the business process reengineering as “The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed”. Business process reengineering (BPR) involves the thorough analysis of the current business processes and redesign to improve performance [2].

The importance of BPR is crucial for public sector organizations. It is difficult to deploy BPR efforts in public organizations. The government organizations are usually attached to many other departments and ministries. The change in one unit requires change in other interlinked organizations. It is therefore necessary to handle all these problems to successfully implement the BPR strategy in the public sector organizations.

Tenner and Detoro (1992) defines process as a single or combination of tasks that add value to inputs to convert them into outputs by the application of human interactions, methodologies and techniques. The authors confines the key points and describes stages to improve business processes using step by step procedure to achieve real performance goals. Individuals at any level in manufacturing, service or the public sector can benefit from this approach which enhances the chances of success in improving organization wide performance. It is designed for leaders at any level who are committed to drastically improving their organization’s performance through redesigning its processes.

The business processes consist of different activities which define the pattern of work in the organizations. The efficient processes serve to satisfy the customers by converting input resources to desired output.

Evans (1993) signifies the importance of analyzing the existing business processes in organizations to identify bottlenecks in systems. The author translates this phase as ‘As Is’ step of BPR. The other important phase is ‘To Be’ which describes the desired performance achievement level of business process. BPR attempts to fill the gap between these two organizational situations. Business process analysis attempts to achieve operational efficiency by reducing time and cost factors.

Fitzgerald and Murphy (1996) suggest four crucial phases for successfully implementing the BPR strategy in the organizations. First, the core business processes to be redesigned should be selected. Second, the process team should be established to reengineer the core business processes. Third, the current business processes may be analyzed and examined to find out bottlenecks in the systems. This phase also determines the satisfaction level of stakeholders with process outcomes. The last phase encompasses the strategy to reengineer the process to improve performance.

McAdam and Donaghy (1999) highlight the importance of BPR in public sector and examine the views of public sector employees about the critical success factors for the successful implementation of the strategy in the public sector.

In order to analyze the business processes, it is necessary to examine the step by step flow of different activities. Process map generates a sequential schematic diagram of process to reveal the flow of work by using standard symbols. Functional process maps show the responsibility of different departments in the organization for a business process. Time line flowcharts signify the cycle time along the process by using a time scale for process map. Top-down charts show major elements of process in the top and specify details there under. Workflow maps show the physical movement of entities involved in the business process. Block diagrams represent the major activities of business processes in the boxes.

Hamper and Champy (1993) emphasizes on critical performance measures which should be achieved during the reengineering process. Cost and speed of process are two important aspects which determine the efficiency of processes [1].

3. NEW DEMANDS ON TECHNICAL COMMUNICATORS

As a reengineering project achieves the breadth it requires to succeed within the business unit, new policies and procedures and advanced information technology touch a wider base of users. Currid observed:

“Reengineering often obliterates step-bystep processes and requires computer technology to make new processes more efficient. Moreover, the type of information technology best suited for most reengineering isn’t some die-hard you have been using for generations. You will need advanced, flexible, and nontraditional technology to support new processes [3].

The range of skills and abilities, not to mention the varying levels of comfort with the prospect of radical change likely to be found in the user 395 community, calls for a more careful audience analysis and a more

comprehensive documentation strategy. The usual complement of manuals, reference guides and tutorials may need to be supplemented by new and innovative methods of communication.

As the reengineering project achieves the depth it requires to succeed within the business unit, technical communicators can help to manage the psychological and political impact of change as well as the educational requirements. Along with classroom training that focused on new technologies, employees at Texas Instruments received a newsletter marketing the benefits of reengineering to the company.

Effectively marketing a reengineering project in this way helps to drain energy away from sources of resistance, cynicism, anxiety and gossip and to focus on the excitement, enthusiasm and anticipation of success that comes from having a well-defined purpose. Clear communication of the objectives, strategies and methods of reengineering to the persons whose jobs are affected is critical to a smooth, efficient implementation.

4. NEW ROLES FOR TECHNICAL COMMUNICATORS

Experience with documentation brings a unique perspective to the reengineering effort. Technical communicators are familiar with the dialogue needed to bring coherence and meaning out of chaos. We understand what is required to bridge the gap between ideas and technology on the one hand and those who would benefit from them on the other. More importantly we have developed the interpersonal, logical and technical skills that enable us to build these bridges efficiently. We move easily between the “big picture” and the details, having been trained to do so by trying to describe tasks, processes and procedures in writing.

Hammer and Champy define five roles to be filled by the persons involved in reengineering. These roles are: the leader, the process owner, the reengineering team, the steering committee and the reengineering czar. Two roles in particular provide opportunities for interested and aggressive technical communicators to contribute to the effort.[1]

Leader

The leader is generally the high-level executive motivator and visionary behind company-wide reengineering. (According to Hammer, “The guy at the top must have a lot of clout, because a lot of people are going to need to be clouted.”)

Process Owner

The process owner is in charge of the process or group of tasks that are undergoing the reengineering process and eventually manages the resulting organization.

Reengineering Team

The reengineering team is made up of individuals who do the work of reengineering: identifying tasks, gathering information, investigating alternatives, proposing solutions and facilitating the implementation of the process. This is where the technical communicator is likely to have the greatest opportunity to contribute.

Steering Committee

The steering committee, chaired by the leader, designs the organization’s overall reengineering strategy. Technical communicators with a strong understanding of both the industry and their company would do well here.

Reengineering Czar

The czar is the leader’s next-in-command, in charge of the day-to-day effort. This person is both a coordinator and an enabler, smoothing the road for the reengineering team or teams to do the work.

5. CASE STUDY

5.1. About IPN Corporation

IPN Corporation is an international special machinery manufacturer headquartered in Europe. As an organizational development and management, this case facilitated the Business Reengineering project at IPN during 1994 until its completion in late 1996. IPN employs more than 10,000 people with sales of approx. 0.8 billion US\$. The company manufactures and sells custom made machinery to the wood-manufacturing sector worldwide. Typical customers are kitchen cabinet-makers. IPN is organized as a group of 15 companies, operating independently. Some of these are sales organizations only. The Business Reengineering project had been performed at the head company IPN Switzerland, with approx. 2,000 employees the largest outlet in the

group. IPN Switzerland at the outset was organized functionally into sales and marketing, production and logistics, research and development, and administration (human resource management, information management).[4]

5.1. The Triggers for Change

At the end of 1993 the IPN board of directors concluded that, despite the success of the company in the marketplace, there existed considerable drawbacks to key business processes of the organization. Delivery time-frames were not meeting the requirements of the world-wide market place, orders were not filled on time, the cost of quality was much too high and morale of the work-force in the supply chain was down.

The message was clear, the company's position was challenged, if the operational problems would not be solved. IPN's board of directors was determined, to do something about the business processes of order acquisition and order processing. Yet they did not know how to go about it. They decided to involve an outside consultant to help decide about the right way to go. The author of this report was selected based on his credentials and the presentation he gave to all members of the board. He proposed to undertake a Business Reengineering project for the key business process of order management.

5.2. The Project Plan

The scope of the project was interfunctional, in that the order management process span the functions of sales, production, materials management, and design engineering. The project plan called for two phases, subsequently to the initiation of the project (figure 1).

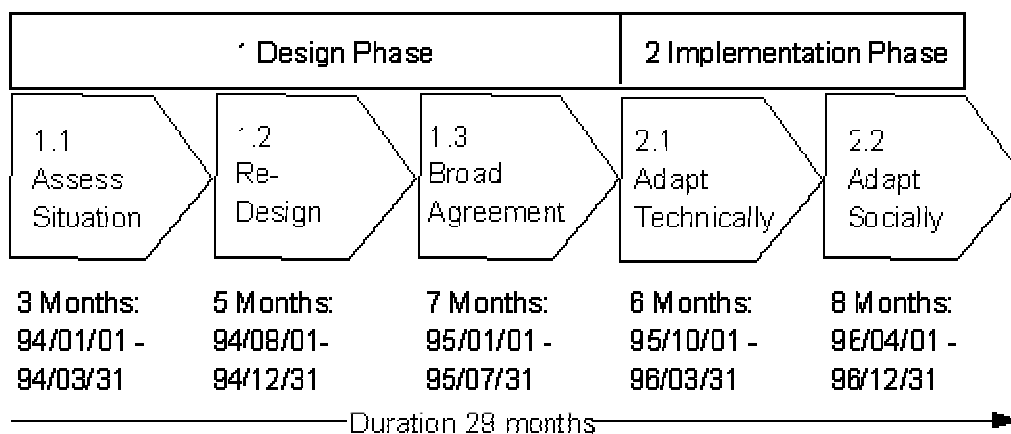


Figure 1: Project Phases and Steps at IPN Corp.[4]

The deliverable of the design phase was a common understanding between management and all affected IPN employees regarding the goals of the project and the implementation steps and methods (table 1).

Table 1: Project Steps Within the Design Phase

Design Steps	Objectives
1.1. Assess Situation	This first design step analysed the current situation of the order management process and studied causes for performance problems of the existing process and related systems.
1.2. Redesign	The planned deliverable of the second step was a proposal by the consultant about the changes to be implemented.
1.3. Broad Agreement	The third step was required to broadly discuss the proposal within IPN with management and affected employees. The implementation phase could only be started, if a broad agreement was found between management, employees and the workers council about the process changes to be implemented.

The deliverable of the implementation phase was the implemented change or new order management process and related structural changes (table 2).

Table 2: Project Steps Within the Implementation Phase

Implementation Steps	Objectives
2.1. Adapt Technically	The first implementation step was planned to make the organizational changes work technically.
2.2. Adapt Socially	The second implementation step aimed at the adaptation of the culture at IPN to the new order management process. This step was planned as an ongoing change process.

5.3. Project Responsibilities

The project was overseen by the board of directors, with the CEO himself getting heavily involved in the project, by bringing his visions forward. A group of twelve members from several departments involved in or impacting the order management process, as well as one member of the workers council joined the board, to form the "management".

The project team consisted of a full time project manager, the Human Resource manager (50% of his time), one project assistant and one external consultant (the author of this report).

As the consultant to IPN Corp. I was on site 40% of my time during the course of both project phases. My main task during the design phase was to develop a proposal for change to the order management process and to take this proposal to broad acceptance. During the implementation phase my main task was coaching the board of directors, the project team and provide training to people affected by the change. Two colleague consultants helped me to conduct and document interviews during step 1.1. One colleague consultant helped me to run motivational training classes during the implementation phase.

The change agent role was shared between the CEO, the project manager and the consultant.

Affected by this Business Reengineering project at IPN Corp. were management and members of the sales department, various technical departments, and all departments in production, related to final assembly. The project targeted approximately 420 people in the organization.

5.4. Intervention Success

Assessment of the Current Situation

Some of the barriers did not disappear and came back "to haunt the project team" during subsequent steps of the project. In particular, we had not been very successful in handling covert resistance in the early steps of this Business Reengineering project at IPN Corp.

Redesign

The interventions used seemed to work through this and the following project steps. Partly, because high expectations were built up. Take barrier # 5 as an example. The change agents told workers to mirror supervisor's and manager's behaviors to them. If a supervisor would micromanage a worker, than she would tell him, that this was "old" behavior, she should be left alone with figuring out together with the team, what to do. This worked for a while.

But later "old" behaviors came back. Both at supervisor and worker levels. An analysis showed the strength of the engraved culture. What worked in the past, will work now, is a very powerful -often unconscious- , thinking, which comes back, when situations are difficult. So, each time, when problems with particular customer orders surfaced, managers would micromanage and not give enough support by providing resources, so that workers could live by their own decisions. This caused a lot of frustrations among workers. This in turn reinforced manager's tendency to return to "old" behaviors.

Broad Agreement to the Change

The interventions worked to the extent, that the barriers did not evolve further. The project team noted though, that there was a deep seated prejudice "*teams don't perform, individuals do*" , which could explain some manager's and employee's negative behavior towards the project. Polarity management was extensively used to make this issue transparent to everybody. It could be demonstrated, that both individual and team management have their downsides and upsides. The solution was to reap the benefit of both; and that teamwork gives a performing individual a good environment to perform much better. These explanations were received positively; but were still too theoretical in nature. People did not work in teams yet.

Adapt Technically

The technical implementation was a success. The processes were put in place, so were the team related changes in the data processing system. The interventions, though, had not been a total success. The culture of the organization was still in a Theory X, as opposed to a wanted Theory Y mode of managerial actions towards the

teams. Douglas McGregor asserted, that behind every managerial decision are assumptions about human nature and human behavior. Theory X denoted, that the average person prefers to be directed, whereas Theory Y implies, that people's performance is not only dependent on managerial control (McGregor, 1985). A number of IPN's managers were still sold on Theory X, being reinforced by some low performing teams, not getting fast enough from the ground.

Adapt Socially

Changing individual behavior and changing the culture is by far the most complex task within an organization. IPN's social implementation of self-directed teamwork is a case in point. Deep-rooted Theory X behavior does not disappear, once that people try out new Theory Y based behaviors. Yet, most interventions will work in the long run.

5. CONCLUSIONS

The necessity of the reengineering is conditioned by the advanced dynamism of the contemporary world, by the endless and essential modification done in the exterior and interior environment belonging to enterprises.

As a title conclusion detached from the ideas expressed in this paper, we consider the reengineering be an efficient solution of redesigned the enterprise's processes and activities. This solution is adopted not only by the prosperous companies but by all the enterprises that want to maintain their competitively.

IPN Corp. has undergone a major change effort to enhance operational effectiveness. The question remains, whether the outcomes of this project justified the investments taken, which are substantial ?

We argued, that cultural changes are mandatory for achieving lasting Business Reengineering change.

IPN Corp. has not reached her goals yet. The necessary next step for the change agent is, to facilitate the organization's move into the direction of a collaboration culture, including elements of the competence culture. This move will have to address "reengineering" the managers at IPN.

As organizations respond to competitive pressures and to change, workers will need to prepare themselves to participate actively in management strategies like reengineering. Technical communicators can leverage their hard-earned experience and insight, coupled with an understanding of these management concepts, to become an invaluable part of the new organization.

REFERENCES

- [1] Hammer, M. & James, C.: *Reengineering the Corporation: A Manifesto for Business Revolution*. New York: Harper Collins Publishers, Inc., 1993.
- [2] Davenport, H. T. & Short, E. J.: *The New Industrial Engineering: Information Technology and Business Process Redesign*, Sloan Management Review, 1990, 34(4), pp. 11-27.
- [3] Currid, C.: *Everyone's Reengineering Except the Computer Companies.*, InfoWorld, August 30, 1993, pp. 62.
- [4] Schummacher, W. D.: *Managing Barriers to Business Reengineering*, www.prosci.com/default.htm, 2005.

CRISIS MANAGEMENT – NEW PARADIGM IN THE MODERN BUSINESS

Nevenka Novićević
The Health Center, Kragujevac, SERBIA

1. INTRODUCTION

The world around us – the natural, that is the animal one – is neutral, morally undefined. With his attitude towards it, man colours it black or white making it good or evil *per se*. It is needless to say that with his choice man often makes valleys of mourning and turns it from a state of harmony to the reality of destruction. The circumstances of the fallen existence have made the other living world move from the position of peace into the state of oppositeness. The imperative of the stomach, as a side-effect of the fall, has overshadowed any attempt at the need to make a turn from the direction of survival (the hunter–prey way) onto a narrow path of the need for meaningfulness, while becoming, by that turn, open to the different possibilities of relationship.

The said food chain has reached its peak of cruelty embodied in the reality of certain animals spending all their lifetime inside special boxes – slightly larger than they are themselves – while being exploited to their maximum. They end up their lives in a slaughterhouse as garments or material for glue. Such an attitude towards a living thing reveals sadness of the fallen existence, but actually speaks of man, of what he has become in essence. Simply put, man's apprehension of his own life reflects in his action, which on the other hand has its impact on the whole nature. There feels a need for harmony, as well as for a conductor who will lead a wonderful philharmony and give intonation to an ode, the poem of all the praise poems for life itself and the beauty of existence. However, since notions have been mixed up and the conductor is no longer aware of that love aria notes, the orchestra is no longer capable of producing harmonious tones, and everything has turned upside down insomuch that with every single day, week, year, century, millennium... it increasingly resembles, and more and more it is a rhapsody of horror, a vaudeville of pain. But, let's go back to the conductor. Where is the obstacle; which notion is it that he has forgotten or incorrectly interpreted, thereby compromising the harmony of melody, compactness of the philharmony?

In the first place, it has been forgotten that life is a gift, just as well as the entire creation that surrounds man and which is at his service or of which he is a master – an administrant. This is a very important part of man's growth because the entirety of man's action depends upon this very attitude. For, if the attitude were different, that is to say if life were not experienced as a gift, then neither the environment would exist for the purpose of mutual progress, but would turn into a threat that must be either tamed or destroyed. As no surprise comes the fact that many nomads and anchorites were in a harmonic relationship with the wild beasts, which – no matter how dangerous they were for the life of man of the fallen existence – were so meek and tamed by the people who had first tamed themselves by their own awareness about life as a gift. Not understood in this way, life turns from the attitude of gratefulness into the horror of determination, while the environment is no longer here to serve, but to strike back and fight against the usurper who oppresses it and threatens to destroy it completely. It is understood *per se* that the state of nature, of the environment depends to a great extent on man, just as the orchestra largely depends on its conductor – he is the one who leads.

The paradigm, namely the prevailing general theory, does not have impact on the natural world. Natural sciences explore, discover the natural world and its laws. The reality of natural sciences, the universe and its laws do not change, as a matter of fact they do but it takes centuries, millennia for them to change.

The fundamental premises (conceptions or ideas) of a science discipline determine its reality and the object of its orientation. Scientific workers, but too practitioners often accept them unconsciously and incorporate them into

their formulations and activities. They often determine what the facts are, in what way a certain science discipline explains reality, what will be neglected, and what the objective will be.

Social sciences, such as management, are not governed by “natural laws” in this way, since it is subjected to continuous change. A change is the most important when we consider the fundamental premises of management. Changes represent the basis of survival and development of business, technical, social, and all other organizations. Any change can result in new problems or opportunities, which require certain activities in current situation, finding a solution that is being realized through management which includes decision making and implementation of accepted decisions. Sometimes there are forces that are for changes and the ones that oppose them. Management teams are confronted with many challenges, difficult decisions and high risks.

2. DETERMINANTS OF MANAGEMENT AND MANAGEMENT CRISES

Management has become a special scientific and technical discipline. Its wrong interpretations result from the simplification of the very notion to administration, or from identifying it with business and commerce. This created obstacles to its adequate development.

Its etymological basis lies in the English language in the word *management*, that is *to manage*, which means – to lead, to administer, to supervise, to succeed, to handle, to be in control of something. In our, Serbian language, it is most often translated as: *uprava, rukovođenje, upravljanje* [administration, leading, administering]. It is this word that the term „*manager*“ has been derived from and it refers to the leader, administrator, director.

Defining and understanding management as a social phenomenon would be much too difficult relying only on the semantic standpoint. In recent literature, there is a good deal of definitions by which different theoreticians, but practitioners as well, are trying to explain its essence. In the broadest sense, these explanations are related to management as “the process of managing”, or “the skill of managing”, or “the science of managing”.

We can define management as the process of planning, organizing, leading and controlling the existing material and human resources for attaining the goals of an organization. The process can be defined as the manner, the way in which managers lead the organization in order to accomplish the tasks or goals of the organization. The organization exists whenever two or more people work in a structured way so as to attain one or more goals. The goal is the intention that the organization plans to realize.

The complexity of defining as well results from the standpoint that management is established on three levels:

- 1) Management as a scientific discipline – it is being studied in the majority of countries worldwide. Management theory comprises principles, laws and criteria that tend to explain phenomena in the field of management. There are two directions singled out in management theory:
 - a) strategic – which comprises considerations of the vision, mission, goals and strategic position of an organization;
 - b) operative – which refers to the functions of planning, decision making, managing, organizing the work, leading, executing the decisions, and controlling their implementation.
- 2) Management as a process – that is, as the organizational process where the coordination, integration and conducting of organizational activities are performed for the purpose of achieving the set goals. Managerial activities are distinctly separated from nonmanagerial.
- 3) Management as a profession – in the personal sphere, there has been made the differentiation with respect to managerial and nonmanagerial staff. In terms of a career, it indicates the position of an individual in the organization, which means that he takes the responsibility for the results accomplished. A successful manager has a minimum of five responsibilities:
 - financial responsibility (which suggests profit in profitable organizations, while non-profitable organizations may have another kind of responsibility, e.g. school system for education, traffic system for transport, health facilities for treatment);
 - legal responsibility (which suggests compliance with the regulations and laws within the field of action of the organization, but with its internal acts as well);
 - ethical responsibility (which suggests moral evaluation of management actions and decisions from the standpoint of generally accepted principles of conduct, as acceptable or unacceptable);
 - environmental responsibility (from the standpoint of management, human ecology is of interest. It studies the relationship between man and his environment. Environmental standards have as well become a legislatively prescribed obligation enacted by certain countries or communities of states – the EU, international organizations, etc.);
 - social responsibility (which suggests the management liability for harmonizing decisions and actions in the interest of the organization with the interests of the environment. The attitude of the management toward the environment is measured by written and unwritten rules, according to which the management behavior is being evaluated.).

The phenomenon of crises has drawn attention of scientists in various disciplines, so the notion of crisis is present in the literature of many social sciences - economics, history, but as well medicine, psychology, politics. The notion *crisis* originates from the Greek language and, generally, it means any sudden interruption until-then-continuous development or the development situation that indicates the turn, that is to say the climax of a dangerous development. Crisis in the organization (or in its constituent parts) can be perceived as the processes that are unscheduled and unwanted, of limited duration, and that can be affected conditionally, while their outcome is ambivalent and can imply destruction or recovery. Crisis situations exhibit certain features, amongst which the most significant are:

- a) risk
- b) pressure of time
- c) intensity

Crises are “organic phenomena”, too – a crisis “lives”. They are not schedulable or of a distinct course, or with a possibility of their development prediction.

Nowadays, there hardly exists any area of economic or nonprofit activities which within itself does not contain the foreign or the global image elements, whether it is an attractive or a tasty product, knowledge and capital flows, desirable services, art, culture, science, technology transfer, environmental protection, etc. Internationalization and globalization are among the most significant characteristics of the time we live in. In the creation of economic and financial policies at the global level, international economic and financial organizations and institutions play an important role. The most important ones among them are: the WTO (World Trade Organization), the UNCTAD (UN Conference on Trade and Development), the International Trade Center, the European Bank for Reconstruction and Development and so on.

Multinational corporations were once closely associated with the government policy. Today, global corporations have investors throughout the world, and the complex ownership structure can not afford to take care of the national interest of a country. Nations are losing their “economic value”. In large companies, the power has transferred from the hands of their managers to the hands of shareholders. The wealth that had earlier been confined to local or state enterprises, that is to say in state banks, could easily be moved around the world. “Hunger” for investments was especially demonstrated in the Middle East countries rich in oil, but in the other parts of the world too. Heavy investors want short-term, and not long-term results.

The manager is not permitted to assume the long-term and effective responsibility for the organization because the real power lies in the hands of investors. Strengthened investors want short-term, and not long-term results. Indeed, the search for a fast profit is nothing new. Nonetheless, the joint effect of large capital and short-term results pressure has had its effect on the structure of the organizations most attractive to investors. Such organizations are being placed under intense pressure so they could appear representative even in the eyes of casual observers. The beauty of an institution reflects through showing its flexibility, signs of internal change and its representation in a new dynamic “outfit”, even if they previously functioned stably and awesomely. Certain organizations have even become dysfunctional in their effort to respond to the “parade” of investors.

The model of institutional change is, therefore, globalized and technologically complex organization of short-term value. A new way of functioning allows for decomposing of institutions – having specialized firms perform certain functions within themselves. The organization increases or decreases, employees are added or discarded depending on the task that is set before it. Employees bound to the organization by short-term contracts can be easily moved from one task to another, while contracts are being modified consequently to fit the changed activities. If need be, it is easier to increase the number of employees under contract and quickly spread, and then get rid of them or hire new staff. To achieve the best results as fast as possible is the modern measure of efficiency. It is only the winning team that gets the grand prize, consolation prizes are rare, or there aren't any. Employees are required to be self-disciplined and independent. In this way, the organization need not be involved in critical judgement on those who it must control, among whom is a high level of stress and concern.

Development of new technologies, first of all, in production and communication, but in other activities as well, affects the functioning of organizations significantly. This has enabled central control and display of information that can in its original form be spread throughout the organization. E-mail and similar methods of communication have reduced the need for intervention and the earlier oral transmission of orders and rules. Thanks to automation, the basis of an institution need not be a large one because, for instance, barcode readers, three-dimensional scanners, microdevices for imitating the fingers' work efficiently replace office and physical workers.

Increased central control without the responsibility of the organization's top level (with huge material remunerations), the concentration of power most often without authority has rendered “social capital” worthless. In developed organizations with a greater central control and reduced authority, people with high professional skills feel most brilliantly, who - if not satisfied - can transfer their skills, that is to say their professional knowledge, elsewhere. In such institutions is shown an extremely low level of loyalty. Employees realize that they are left on their own, that their institution will not help them in case they need help. Why would then they

show loyalty to it? Stress due to long hours the employed experience as pressure, and they are much more likely to turn alcoholics, get sick, or divorce.

In the short-term organized organizations there is not enough time for developing understanding and trust among people. The formal, and especially the informal trust is very important, when the organization is under pressure, namely in crisis situations. Then it is necessary to know who is among trusted associates, who is equal to the situation, and who will fail. Unfortunately, the disasters occurred because the teams were not in harmony, because the organizations were just "seemingly well organized".

The functioning of an organization often depends on "institutional knowledge", which in most cases have people who belong to the lower structures of a corporative hierarchy. Organizational rigidity, fixed position, and the fact that people know exactly what is expected of them have their own importance. But, what to do, how to recognize in case an exception to the rule should be made or an informal agreement be reached? Knowledge of how to manage the system may become the real skill. In factories, workers in manufacturing plants have more of such knowledge than their managers; in offices, secretaries possess such knowledge; in hospitals, nurses are known for their skills in performing bureaucratic jobs. In organizations with a low degree of social capital, there is no awareness of who builds it. It is being built "from the bottom up to the top". For organizational culture depends on how ordinary people perceive the organization, and not on the explanation, the decree that comes from "the top". In spite of it, decrees are constantly being issued and modified within institutions, tapering the process of interpretation, that is the perception of such chameleon-like organizations.

It is interesting to point out how a foreign investor can decide on managerial structure of the organization abroad in which he has the right to elect managers, as well as advantages and disadvantages.

If investors feel that the managers who will use the most effective technique in conducting business should be employed regardless of what country they are from – in theory, we call such managers *geocentric*. For attaining the goals they must have both local and global knowledge, and as well harmonize local and global goals. It is this attitude that the greatest number of owners take.

If investors feel that managers from the country where investments are to be made have an advantage owing to the fact that they have, in addition to managerial, local knowledge as well, that they are familiar with their fellow-citizens' needs, the local needs and the like – they will employ them. These managers are called *polycentric*. It is believed that their disadvantages are: the difficulty of accomplishing global goals for their greater interest in the local ones, lacking efficiency, duplication of work, and the like.

If investors feel that managers from the home country are superior, they will engage and send them abroad to work in the organization. This kind of manager is called *ethnocentric*. Such an attitude makes sense if we deal with the highly developed technologies unknown in the country where investments have been made or if the managers in the country where investments have been made do not have the necessary managerial knowledge. Disadvantages are: frequent social and political criticism, inflexibility, ineffective management.

In the course of privatization in Serbia, foreign investors have used all three options, e.g. in privatization of banks.

The management exists for the results and performance of an organization. It has to organize existing resources so that the organization can produce results, within the organization itself or outside of it, under control or beyond it. This applies to all economic entities, both the public and private sector, large as well as small companies.

The public sector contains elements of the corrective mechanism which is to establish economic and social balance within the country on the level that the government wants to achieve. Well organized organizations of the public sector pay much attention to defining its mission, while avoiding exaggerated statements of good intentions full of phrases. Good intentions cannot replace leadership, careful assigning people to certain positions, constant learning, management in accordance with the objectives, and responsibility for the work and results achieved. Joining the market trends, *Clinical for Plastic Surgery of the Clinical Center of Serbia* lowered the prices of corrective interventions in relation to the private sector, additionally emphasizing its highly professional staff, constant supervision and so on.

3. CONCLUSION

In contrast to the relatively stable existence of organizations in the past, the future is directed towards a dynamic organization. A business organization, and other ones as well, must be designed for changes, it should create changes, and not merely react to them. A philosophy of "proactive action" is necessary for the organization to stay in business. However, the proposal for changes, like all other proposals, should be subjected to strict criticism.

At the end, again we return to a man himself, to the challenge that is before him, to his responsibility for his own development and progress. While he, through his self-realization, and to the environment, points to the beauty of beingness and participates in the joy of Life.

REFERENCES

- [1] Drucker P. (2001), *My View on Management*, Adizes, Novi Sad, ISBN 86-7668-032-9
- [2] Kostadinović S. (2008), *Managing the Public Sector*, The Faculty of Management “Braća Karić”, Belgrade, ISBN 978-86-82791-39-3
- [3] Lencioni P. (2002), *The Five Dysfunctions of a Team*, Asse, Novi Sad, ISBN 978-86-7668-081-8
- [4] Radosavljević Ž. (2006), *Marketing*, The Economics Academy, Novi Sad, ISBN 86-84613-46-5
- [5] Radosavljević Ž. (2005), *Organization Theory*, Edkom, Belgrade
- [6] Senić R. (1996), *Crisis Management*, BMG, Belgrade.

LAW, ECONOMY AND MANAGEMENT IN MODERN TERMS (CRISIS AND CRISIS MANAGEMENT IN GIVEN SITUATION)

Marko Pavlović

Faculty for Training of Managing Personnel in Economy, Belgrade, SERBIA, e-mail: pmarko2003@ptt.rs

Summary: *This work deals with the role, possibilities and tasks of management and managers in overcoming the existing economic crisis. Managers and management are necessary in our society, because without their efficient acting, that is, managing a firm, efficient business of individual economic subjects, there is no way out from economic crisis. Crisis and crisis management is a new concept in Serbia both in theory and practice. Crisis management as a theoretical discipline has been intensively developed in the world in the past twenty years. In Serbia, it is a relatively new concept both in theory and practice. This work is an attempt to contribution of terminological perception of crisis and conceptual dividing of the notion of the existing crisis.*

Key words: *economic crisis, managers, management, managing, business, firm.*

1. CONCEPT OF CRISIS

The word crisis is today one of most commonly used words in everyday talk. Crisis is too much a complicated notion to be easily defined. According to the existing literature, we can define it as an unpleasant event in all the sciences, including economy, law, management, medicine, psychology, etc.

One of the definitions is that crisis consists of processes that are unplanned and unwanted, limited in time, which can be influenced conditionally and whose outcome is ambivalent and can mean destruction or restitution. Crises in doing business are common in business in certain periods. Task of analysts and managers in companies is to identify and overcome crises, that is, to make sure that they end as soon as possible.

World financial crisis found many states, their governments, representatives of local government and companies totally unprepared for the break of neo liberal casino capitalism. Many still do not believe that the crisis is so deep that its duration is uncertain. There is no clear and notional crisis term, there are many often and various interpretations. Term "crisis" is used for all types of negative events and unwanted, unexpected and unforeseeable situations. This term has caught the attention of a large number of researchers from various fields (economy, law, history, politics, medicine, psychology, etc.), so we can often use this term in various meanings for various researches.

Many researchers define it as a serious threat to basic occupations or fundamental values and norms of sociological system in conditions of time pressure and very uncertain circumstances, demands to make critic decisions. Main characteristic for all crisis are: *Unexpectedness, Unreadiness, Time pressure, Situation of making decisions.*

2. CAUSES OF CRISIS

Many experts are trying to explain what current crisis is, what are its causes and how to get out of it, but there are few who make it clear, and therefore are convincing. In Serbia, just like in any other country, there are similar, if not the same, local causes of crisis, influenced by global causes of crisis. It is very odd that no one deals with real causes of crisis, besides all the facts and proofs. Analyzing causes of global crisis we come to an answer: structural error of capitalism, which is impossibility of permanent maintenance of balance between production and consumption of goods and services.

Global financial crisis came from America to many countries, to mostly find state management unready. Vulnerable states, especially those which came from socialism could not be ready, because their social, economic and political systems are not consolidated, not even after twenty years after the fall of Berlin wall. People make mistakes because of widespread illusion that anybody can be an entrepreneur. State management also participates in spreading this illusion, and people are too eager to become rich that nobody seriously perceives the speed of crisis, nor makes any preparations to systematically face it. Causes of crisis can be macroeconomic, that is, exhaustion of the whole economy and impoverishing of population, which makes it hard to find appropriate market. Many economic reasons influence the appearance of crisis in economy. There are a lot of interpretations of the cause of crisis in economy, especially if those are business systems consisted of a large number of segments which realize economic effects.

Imbalance between production and consumption is by large urged by technological advancement, globalization, inflation and current tax policy, because they lead to decrease in buying power of population, and by that to decrease in consumption. Technological advancement, which consists of automatization of goods and service production, as well as information, causes mass decrease in jobs and unemployment, consequence of which is decrease in consumption.

Globalization, inflation and tax policy with those workers who were lucky to save their jobs cause real decrease of their salaries. Managers can have good outputs with the help of so-called chart of possible crises and their outputs, where events and courses perceived in the environment should be enlisted.

Overcoming crises undoubtedly exhausts the economy, so that when choosing how to recover management of the company must take into consideration the influence of productive exhaustion of the company on the dynamics of realization of business plans [6]. Statistic methods of analysis of successfulness of a company are often used in economy, as well as simulation methods, because they are a significant contribution to recognition of crisis symptoms. Management of the company should direct itself to business fields such as: check of product distribution, check of human and technological resources and their organization, questioning financial policy, in order to improve profitability and market positioning. Causes of a company crisis lie not only in the sphere of success, but should also be looked for in all business spheres.

3. SUBJECT OF OVERCOMING CRISIS

Overcoming crisis is related to all the forms created because crisis situation and whose actions affect the firm. Overcoming crisis is a management task which in meaning and domain can barely be surpassed by other tasks. In most cases, overcoming crisis is of individual character because it commonly ends in doing voluntary or forced liquidation. Overcoming crisis in firms has voluntary potential for overcoming crisis, to overcome the existing crisis situation in the firm.

If a process of overcoming crisis gets to its final phase, where a process critical for survival of a firm becomes acute crisis of a firm, there are strategies of liquidation, which means an end of a crisis struck firm in its structure and setting certain goals and a purpose. Liquidation in the shape of dissolving of a crisis struck firm includes a group of employees participating in it, and particularly consists of dissolving the owner of the capital. It is clear that, if a firm gets into a crisis, main goal of the owner of the capital is to maintain the same level of business in the firm. Business of a firm is a central problem in making decisions in overcoming crisis. It is necessary to increase readiness of state services to track and actively support recovery of the firm in a crisis.

Crisis management can be seen both as a process and an institution. By process we mean phases of planning, conducting, and control. By institution we look at it as carriers of crisis management. Process of crisis management does not start at the moment when the crisis starts, it really starts only when authorities in a company notice it, whereas it sometimes origins from other factors. We can say that analysis is very important for preventing crisis situation in a company.

Crisis management of acute crisis analyzes situations, that is, causes and decides whether to make a recovery or liquidation. If it does not decide to make a recovery, there are mostly measures of liquidation, which can be voluntary or enforced. If it decides to perform recovery, there are urgent recovery measures and determining goal of recovery (referring to recovery measures, program and projects).

First important point for successful crisis recovery is conscious observation of events which endanger the existence of the firm. Management of the firm should generally be capable of recognizing and initializing crisis situation. Crisis characteristics become more and more visible in time, so that necessary sensibility for recognizing crisis symptoms gradually decreases.

Objective crisis symptoms, like negative profit shift, sale, market participation, decrease in amount left after covering of variable costs, decrease in salaries, flow of orders and supply status, inefficient capacity use. When crisis takes a full swing, they are often hidden, or not given enough credit. Purpose of modern management should certainly be to perceive crisis process before it is registered into well organized system for early warning.

If a firm does not timely discover the existing crisis, maneuver space of successful crisis management is narrowed, because they miss proper opportunities for necessary maneuver.

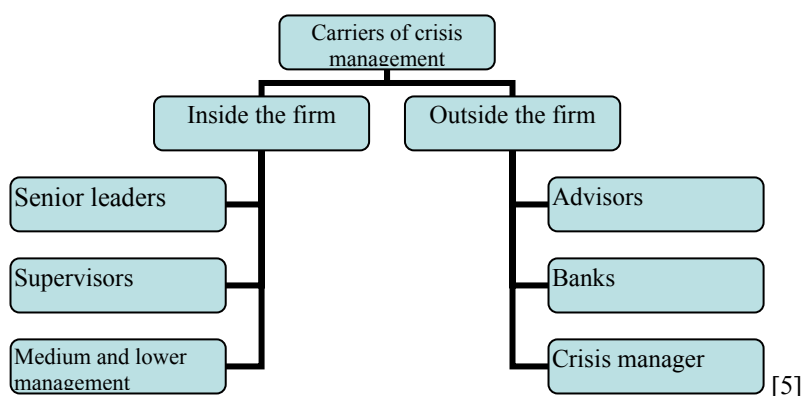
Analysis [6] of causes of crisis is in the problem of finding the situation out of many factors for present critical situation, while real reasons of actual situations are not known. Introducing urgent measures can be enough and rough analysis of present situation to shape forms of revitalization and new strategies. Detailed analysis of the existing situation is necessary.

4. CRISIS MANAGEMENT AS AN INSTITUTION

Crisis management as an institution is a group of people who are moving force when planning, conducting and controlling goals, then strategies and measures for preventing or managing crisis and who basically take the leadership of a firm in crisis during the process critical for survival of the firm.

Crisis management has a task to take the firm out of crisis and make it capable of long-term work. It also takes care of maintaining enough readiness for paying, preserving and caring about potential necessary to realize paying readiness and caring about potential necessary for realizing the purpose of the firm, that is, to create liquidity of maintaining capital.

Crisis management can be made of people or groups from the firm, or outside the firm. This scheme shows carriers of crisis management who are most commonly taken into consideration.



Beside them, some institutions, like state institutions, ministry of economy, agencies for work market, courts and suppliers, buyers, associations or firm's counselors.

Central carriers of recovery management in crisis situations in a firm are managers of a firm. Leadership of a firm comprises people from the highest hierarchical level. Leadership of a firm disposes of hierarchically legitim position of power, which implies an absolute competence in all the issues in firm. Managers deem that old management should leave; problems in the firm often directly come from weak results of top management.

In practice, that would mean quitting old friends, closing favorite buildings, deconstructing something that had been carefully built. New management must want people around who they think deserve their trust and respect. Some give arguments that imminent firing people is impractical, if not impossible to be done during financial crisis, if only to demonstrate how serious financial crisis is and how serious it is for survival.

Managers must decide between two fields, but it is very hard and demands intuitive understanding of the kind of people who work in a firm. Workers whose job is secured will tend to work hard in the new regime. Management of the firm should play its main role precisely in hard times, but sometimes it can be inappropriate, if initiative does not come from them, that is if they are not initiators of crisis management. In case leadership of a management does not succeed in this, that task is then redirected to control and supervising organs and other initiators, up to manager of leveling.

Dominant carrier of crisis management depends on the behavior of a firm management, controlling organs of the firm and banks at the beginning of a crisis. Crisis managers are mostly independent counselors, or previous officials which have much experience in overcoming crisis situations.

Crisis managers are specialists for a situation in a firm that is followed by hard economic position and lack of leadership. Engaging crisis management is necessary in every situation when people who make the decision, usually supervision board, inside a firm have no qualified leadership at disposal. The advantage of crisis management lies undoubtedly in the fact that a crisis manager has to realize propositions on personal responsibility. This circumstance is particularly important when it comes to short term management and quick concept of recovery. Management for a short period has also shown some shortcomings. Crisis management

represents a significant figure in recovery. The fate of a firm depends on the right choice of its own crisis management.

Crisis management can be perceived as an active management (which represents activities directed to crisis avoiding) and reactive crisis management (with a defensive character, it directs firms against crisis in phases, which are by their actions directly perceivable for a firm). Basic forms of crisis management can further be differentiated depending on the phase of the process of crisis.

5. HOW TO ORGANIZE OVERCOMING THE CRISIS

Overcoming [5] crisis is related to all the forms of reaction to all shown crisis events whose destruction actions have been felt in the firm. In the phase of overcoming the crisis there is still enough potential for overcoming the crisis. The process can get to its last phase of acute crisis, and then the only thing left is a strategy of firm liquidation. The accent should be put on recovery efforts where the question of ability and readiness of the firm for survival should be asked. Solution to this problem leads to the decision and readiness of the firm.

Crisis of a firm originates from long term worsening of business results which in the end question further survival of economic subject. Long term crisis results in loss of market position, business partners lose confidence in the firm, and employees in the firm are demoralized, so for overcoming the crisis a turn needs to be made to bring the firm back to stable positions.

Improving doing business in a firm in crisis implies changes in management, organization, etc. There has to be an agreement about performing changes, because overcoming crisis is only then possible, with adequate managing. There is a large number of factors that appear in the period of crisis management, most important are: staff, finances and market. With staff, the most important is the person who together with the group makes a turn in the process of the firm's business. When we speak about the finance, key question is to find funds necessary to bridge the period of the start of recovery to its success, and when market is in question, there has to be a program which is running, otherwise it is impossible to get out of the existing crisis.

As much as 90% of the firms got to crisis because of bad management, so they mostly hire new management in the phase of turn. Management capable of solving problems and gain control of all the costs right away has to introduce work and business discipline. In the process of stabilization, it is the easiest to keep the existing market and improve it. It is hard to rely on a completely new market in the first phase of the turn. Sometimes the existing funds are wrongly located.

5.1. Motivating the employees in the process of crisis management

Motivation of the employees is one of the key questions in the process of crisis management. To motivate the employees, they must be secured a job, because it is a rule that companies in crisis have surplus of employees. Number of employees is one of the key questions in the process of business organizations and a critical phase in the process of crisis management. To motivate the employees, they need to have a job, because it is a rule that firms in crisis have a surplus of employees. Number of employees during crisis is a starting phase in the process of motivating employees to work. Possibility to work and keep his/her job and to see his/her own possibility to prosper through manager's program for coming out of crisis is a way of thinking of workers who want to stay in a firm and comply to working and technological discipline [2].

When the problem of extra labor force is solved, and reorganization in the firm gets better, employees get a motive, because mere surviving is not an only work motive. According to [10] research of crisis managers it was shown that out of all factors which make a worker satisfied, 80% is motivation, and out of all the factors that make a worker 60% are related to improvements and elementary conditions on the job. Turn in business starts with making decisions, but people like brave and responsible managers who lead in work, who have a vision and are able to motivate workers for the aims of the firm.

To motivate demoralized workers, management needs to achieve as good results as possible as soon as possible. The hardest part to managers is to explain the facts to employees and create consciousness about costs and profits, good work the firm is doing and their future. To overcome the crisis it is necessary to give the clear picture of it to the employees, and then make cost and profit plan for each organization. A monthly report on achieved results should be introduced and rewards should be given for every achievement.

To [5] take the maximum from the employees on the line of realizing made plans is one of the great skills of successful leaders in the time of overcoming the crisis in the firm. Failure in motivation of employees means that problem of managing crisis cannot be solved. Crisis management has to realize three main goals, and those are:

1. to avoid collapse of the firm,
2. to consolidate success situation to medium level and
3. to assure long term existence of the company by creating maintaining potential of future success.

Costs can be lessened by constant controls, special organization demands and special plans for costs cuts. As for the costs of salaries of the employees, by analyzing companies, we find weak spots and eliminate certain costs, that is, whole departments are cancelled.

6. CRISIS AND SERBIA

When it comes to crisis in our state, everything comes down to saving and decreasing of public consumption. Every kind of saving which contributes to coming out of this situation should be supported, but it is unimaginable to let a crisis caused by global problems have bad effects on the workers who have nothing to do with the causes of the very crisis. It [7] is true that workers in Serbia have nothing to save on, because average salary for the month of January 2009 was 28.000,00 dinars. When it comes to measures of saving, it is very important that they are brought by a dialog of sociological parameters on all the levels, so as to see where the savings can be made, because social policy for the most affected cannot be violated. That is where syndicates have to play their roles.

Costs of firm should be cut down, foreign investments should be encouraged, untaxed part of profits should be raised up to the level of gross minimal wage, untaxed paid meal up to 10% of average wage should be introduced and contribution for health insurance should be cancelled.

Big problem in Serbia is a recession, and that is where domestic economy is heading. Instead of clear diagnosis we have so far encountered just rhetoric. Present crisis has an unusual feature, and that is a mechanism of increase of impact inside it. That kind of luxury our country could not allow. It is very important to maintain stability of exchange. If that rate is established, then there is lesser possibility of a big inflation. Inflation can be held on project level in the range from eight to ten percent.

Biggest interest of our country would be to raise the level of total economy activity. That is why we should invest in strategic economy sectors, like electro economy and telecommunications. Other sector where investments should be put is food production. The country has so far undertaken measures of decreasing salaries to employees in public sector, that is, there has been a suggestion to have them back to the level in December 2008. It has also been suggested to have a 10% tax for the salaries that exceed 40.000,00 dinars. Financial institutions show remarkable decrease in salaries, in average 10.000,00 dinars, because they are back to the level from December 2008, and since banks and other financial institutions give salaries in euros calculated to dinar counter value, where medium course is 80,00 dinars, and current course is 93,00 dinars [9].

Crisis will be prevailed and we have to be positive in overcoming the existing crisis.

REFERENCES

- [1] Časopis „Ekonometar“.
- [2] Predrag Jovanović, Krizni menadžment u industriji obuće, izdanje 2001.
- [3] Želimir Kešetović, Krizni menadžment, izdanje 2008. godina, izdaje „Službeni Glasnik Srbije“.
- [4] Milan Mitrović, Moderan menadžment, Mart 2009.
- [5] Radoslav Senić, Krizni menadžment, izdanje 1996. Beograd;
- [6] Ivana Slović Krčadinac, Revizija i krizni menadžment, izdanje 2005. Beograd.
- [7] Stručni časopis sindikata Pošte Srbije izdanje maj 2009.
- [8] Dušan Tomić, Krizni menadžment u zdravstvu, prezentacija svetske krize studentima farmacije, mart 2009.
- [9] Web site: <http://www.nbs.rs/>.
- [10] Web site: <http://www.vibilia.rs/>.

DEVELOPING EMPLOYEES' EMOTIONAL INTELLIGENCE

Ana Popović

Faculty of Economics, Niš, SERBIA, e-mail: popovic.ana@hotmail.com

Summary: *Intelligence is considered to be one of the most important components of individual behavior. As it significantly influences many aspects of behavior of employees, research of this phenomenon is very valuable for organizational behavior. The contemporary dominating theory of multiple intelligences defines intelligence as a complex entity that consists of various types of intelligence. Neglected or subjected to cognitive intelligence for a long time, emotional intelligence is today considered to be one of the types of intelligence with the most influence on behavior on individual and group level. Research of emotional intelligence is thus of special importance for psychology, management, and especially organizational behavior, contributing to explaining behavior of leaders, managers, and employees in general, but also behavior within groups acting in organization. This paper, therefore, focuses on the relevance of emotional intelligence for organizational culture and leadership. As emotional intelligence can be improved in time, development of employees' emotional intelligence as the obligation of managers is also mentioned. This concept indicates emotional learning that falls under tendency for life long learning on organizational level and implies that managers should encourage employees to grow emotionally together with their organization. Managers have a great responsibility in that process as they set an example for employees with their own emotional intelligence projected mainly through their behavior.*

Key words: *emotional intelligence, organizational culture, leadership.*

1. INTRODUCTION

„Influence on employees is a social interaction in which manager is producing a change in behavior of an employee or a group of employees. The influence causes the change in employees' psychical state, by changing their knowledge, opinions, values, deeds or emotions. Manager's influence on important organizational processes comes from his personal power of character; cognitive and emotional intelligence; expertise, information and skills that he possesses; position in organizational hierarchy; various mechanisms of influence and attitudes of employees towards organization and manager... Emotional intelligence of manager influences the employees through influencing their emotions and moods.” [6] No matter his power coming from his formal status or his personal charisma, by his emotional intelligence, decisions and behavior, manager influences events and relationships in organizations, and therefore – business results of an organization. Emotionally intelligent managers can empower enthusiasm and the most progressive motivators for employees, thus empowering possibility for managing the organizational culture.

2. EMOTIONAL INTELLIGENCE AND ORGANIZATIONAL CULTURE

Emotional openness of a manager begins with a wish to dedicate attention, meet his own feelings, and understand his own emotional experiences. Emotional intelligence emphasizes the importance of manager's ability to express his feelings in front of employees, live in accordance to them and uses them for achieving important aims of the organization. Managers who have highly developed emotional intelligence, influence organizational culture in following ways:

1. they enable easier acceptance of organizations' vision and aims by employees,
2. they facilitate the process of accepting organization's basic premises and values by employees,
3. they achieve more accurate planning and decision making,

4. they cause improvement of interpersonal relations and communication in organization, ensure feelings of safety and comfort to employees,
5. they facilitate process of identification and acceptance (internalizing) of organizational norms and standards (including emotional standards),
6. they easily overcome problematic situations – ensure easier acceptance of proclaimed organizational changes, and are useful in process of selection of employees,
7. They successfully motivate the employees (expression of pleasant emotions by manager and positive evaluation of employees produces favorable results on employees' behavior). [6]

1. When announcing organizations' vision or aims, advocating their fulfillment among employees, success can be expected only if manager can route all the potential, including emotions of employees, in the appropriate direction. According to Gardner: „When managers feel excited, enthusiastic and lively, it is more possible that they will pull their employees and transfer to them feeling of competence, optimism and satisfaction.“[6] Emotional intelligence of the managers also influences implementation of defined organizational aims. By their decisions, managers put the fulfillment of organizational aims into focus, showing how they relate to ways of their achievement, which they transfer to other employees.

2. In order for organization to improve its adaptation to more refined demands of consumers, and respectively improve achieved results, managers transfer beliefs, values and premises to other employees. Those processes can cause resistance among employees, if they do not follow the fact that employees prefer deeds than spoken words of their managers. Wever concludes that „they (employees) request more from managers than pure directives. They request understanding, warmth, convince, orientation, and outstanding ability of communicating... actions that set an example, have much more effect than the declamation” [6]. Manager acts, firstly, with his own example that follows his personality – he transfers his own affective and cognitive perception of reality to other employees influencing organizational behavior most directly. Employees then easily accept transferred values if they appear to be correct and helpful in overcoming problems and threats from surrounding. In time, they will stabilize as basic premises and values of organization, which will be further transferred to new employees.

3. In the surrounding in which accent is on rational and logical thinking, role of emotions in business decision making was almost totally neglected. Traditional organizational decision making approaches have been emphasizing rationality, while emotional processes have been put aside in analyses. Today, on the other hand, it is considered that decisions are also emotionally based and that logics offers rational explanation for any decision made. [6] Thus, it is perfectly clear that manager can make different decision when he is mad or stressed, then when he is relaxed and calm. Uncontrolled, unpleasant emotions can lead the manager to the wrong choice in deciding, while pleasant emotions give him great choice of possibilities and better integration of information. Contemporary trend of building an organizational culture through life long learning process, also includes emotional learning – developing emotional intelligence. Emotionally intelligent manager has an ability of alternation of moods, which do not mean often mood-changing in terms of nonconsistent thinking and behavior, confusing for others, but also for individual himself. The meaning is this: managers that are able to quickly replace one mood with other, are less under the influence of one constitution of thinking in planning future activities and defining important decisions, as they can get to see greater number of consequences. It is even proven that certain emotions can facilitate resolving some tasks. For instance, [6] pleasant mood enables better creative and inductive reasoning, joyful mood directly influences ability of solving tasks that require multifactor analyses of various options by deduction, while melancholic mood slows down ability of solving tasks of analogy – by induction. These phenomena can be explained through different styles of information processing, as emotional intelligence enables a manager to process them according the principle of importance. That way, some mood can easily be stopped and replaced with another one which is more suitable for resolving the newly developed situation and important decision making. It can be concluded that in decision making processes managers use emotions as well as rational and intuitive processes..

4. Employees regularly engage their physical and intellectual potentials, and many activities also request emotional engagement. Every organization defines limits that imply which emotions and to which level of expression, are acceptable. There is no unique emotional „formula” that all organizations are requesting from their employees. The way that manager communicates and treats other employees, has a major effect on development of collaboration, and on productivity of employees' work. By increasing emphasize of team work's importance, the focus shifts towards constructive and collaborative work in order to produce more qualitative results. „Emotionally intelligent managers realize that moods and emotions are the field of possibilities for creation of new forms for communication supporting... In the business surrounding that is becoming more insecure and turbulent, where change is a constant characteristic; an organization is expected to be flexible and adaptive. New and creative ways of predicting and working in changing environment demands efficient and innovative managerial abilities and communication skills. Thus, moods become determinant. But, innovative approach in communication is not demanded only from managers, but from all the employees. Development of organizational wisdom cannot be looked at separately from the mood of employees on their work. [6]

5. Manager's influence in organization overcomes the influence based on his words. „When a question is put upon employees as a group, first they all look at what the manager will answer or what affective reaction he will express. Employees accept his emotional reaction as a rafter or the answer of the greatest relevance. That way managers set an affective standard in their organizations”. [6]

6. Managers are aware of the fact that emotional content is of great importance for achieving various aims as: achieving greater results, setting appropriate human resources selection (succeed in keeping the best employees), improving general mood, job satisfaction, motivation and commitment of employees. „Emotional mood of the managers is transferred to other employees easier if it is followed by appropriate voice, facial expression and gesticulation. The stronger managers express satisfaction and optimism, the faster the employees will feel that. Working in the presence of such managers represents a pleasure for employees” [6]. Researches that George and Bettenhausen quote, have proven that enthusiastic managers keep their colleagues easier. Managers that emit unpleasant emotions and pesimism, anxiety and coldness, tend to push away their colleagues [6].

7. Emotional intelligence of the manager can significantly increase the employees' motivation for fulfillment of work tasks. Not all the employees are emotionally devoted to their jobs, but some of them are. Emotionally intelligent manager has to be able to calculate and optimize motivational influence of the affects. „Motivated employees are emotionally devoted. Employees expect support, but also empathy from the manager. Managers tell praises or restrain from them, give constructive criticism and necessary support or 'close their eyes' for problems in front of them”. [6] Emotionally intelligent manager creates interpersonal relations in which he, and the ones he comes in contact with, feel pleasant.

3. EMOTIONAL INTELLIGENCE AND LEADERSHIP

As Lash [4] points out, emotional intelligence represents a concept that is not easily understood by many leaders, although it is proven to be very important for business – often it even triples the productiveness. Research of insurance companies in US showed that CEOs of the most succesful ones (according to achieved growth and financial results) have had 'the critical mass of the abilities' based on emotional intelligence. In these companies, employees were encouraged to 'give their best'. On the other hand, leaders of the firms that have achieved average succes, missed the mentioned characteristics. Other study showed that sales managers with higher emotional intelligence quotient – EQ, have been selling twice more products and services than their colleagues with average EQ. [4]. The following table 1 illustrates shows the concept of emotional intelligence in leadership, according to Daniel Goleman.

Self-conscious leaders recognize their inner signals and are capable of recognizing the ways their feelings affect their behavior and organization's results. „These leaders easily determine the direction of the action and easily see „broader picture” in complex situations. They are honest and true, speak openly about their emotions, with great confidence speak of vision that directs them.” [5] Precise self-evaluation enables them to accurately determine their own abilities and limitations. „Self-confidence characterizes self-conscious managers, and comes from positive global self respect. Self-confident managers easily take on new and difficult tasks. They have self-confidence, so they always outstand in organization” [5].

By self management „adoptable managers easily respond to demands, are concentrated and calm in solving many different work challenges. They adapt to the demands of environment very skillfully, following subtle changes.” [5] Emotional control of managers enables them to calm overwhelming emotions on time, and direct them in useful way. Under the pressure of obligations or in crisis, manager who has quality of emotional control, succeeds in staying calm, retaining clarity of mind, which allow him to deliver proper decision. Initiative characterizes efficient managers whom „do not wait to get final solutions or new possibilities, but move to meet them... easily avoid temptations, change rules, and all in order to create better opportunities for the organization”. [5] Open consistency can ensure the integrity to a manager. „They (those managers) are ready to speak open of flaws, but are also ready to openly oppose unethical behavior of employees. Optimistic manager sees problems as opportunities – he sees them as possibilities to advance and not as threats he needs protection from” [5].

Social consciousness starts from empathy that „provides a manager with accordance with numerous signals from work environment... allows him to be caring listener who succeeds in empathizing with employees and... easily recognizes emotional state and mood of employees although they are coming from different backgrounds and cultures. Awareness (consciousness) of organization enables manager to recognize specifics of social (political) networks present in organizational culture, their relations and power... basic assumptions, values and norms in new organization, in other words – to recognize the culture of organization. Manager's attentiveness is the best directive for employees in terms of relation they need to develop with clients...” [5].

Table 1: The concept of emotional competence in leadership- leader's abilities, competences and skills [5]

SELF-CONCIOUSNESS (conscience of the leader's thoughts and feelings)	1	Emotional self-consciousness: recognizing own emotions and their effects
	2	Precise self-evaluation: knowing own strengths and limitations
	3	Self-confidence – comes from self-respect: feeling of self-value and capability
SELF MANAGEMENT (ability to manage his own emotions)	1	Adaptability: flexibility in working with changeable situations or obstacles
	2	Self-control: inhibition of emotion in order to achieve organizational aims or norms
	3	Initiative: activity and pro-activeness
	4	Orientation towards success: tendency to work better and accomplish desired success
	5	Open consistency: openness and consistency in values, emotions and behavior
	6	Optimism: positive perception of world, future and every-day life
SOCIAL SELF-CONCIOUSNESS SAMOSVESNOST	1	Empathy: understanding of others and active interest for their problems. Ability of recognizing and empathizing with emotions other feel.
	2	Attentiveness: recognizing and fulfilling needs of employees and clients.
	3	Consciousness of organization: recognizing political relations in the organization.
MANAGING INTERPERSONAL RELATIONS	1	Inspiration: inspiring and leading employees.
	2	Contribute to others' improving their performance: helping employees to improve their knowledge and skills
	3	Catalizator of change: initiating or managing the change.
	4	Conflicts management: resolving misunderstanding
	5	Influence: make others agree with initiative
	6	Team work and collaboration: team building by creating common vision and synergy.

Managing interpersonal relationships by Inspiring behavior of manager enables him to easily transfer inspiration to employees – they easily accept inspiring and clearly presented vision and mission of the organization. „Managers influencing employees by inspiring them, emotionally create effect of resonance. They are an example of what they demand of their employees. Inspiring manager makes working in organization inspiring, because he induces sense of common aim to employees... Managers capable of team work create adaptable, friendly and collegial atmosphere. They cause determination for collaboration among employees. They also successfully empower development of close interpersonal relations of employees.” [5].

4. LEADERSHIP STYLES ACCORDING TO GOLEMAN

Goleman [3] defines six basic styles of leadership according to the component of emotional intelligence found in the focus of style:

- 1. Style of constraint** – demands immediate obey. Leaders implementing this style have the ability of self-motivation, initiate changes and are driven by the wish to succeed.
- 2. Authoritative style**– energy is directed towards achievement of the aim, and leaders who attend this style are emphatical and initiate changes.
- 3. Partnership style** – building and developing interpersonal relations. Leaders who attend this style are emphatical and have great communicational skills.
- 4. Democratical style** – constant active encouragement of all team members' participation in deciding. Leaders who attend this style have great communicational and negotiating skills and they are good listeners.
- 5. Style of speed determinator** – 'defining pace', setting of high standards of performance. Leaders who attend this style use initiative, have ability of self-motivation and are driven by the wish to succeed.
- 6. Style of trainer** – spreading and developing of employees' skills. Leaders who attend this style successfully motivate others, communicate efficiently and are great listeners.

Goleman points out that universal right or wrong styles do not exist, and that each one is necessary to be implemented in different situations. Implementation of certain style will directly influence working atmosphere and indirectly accomplished results.

5. EMOTIONAL LEARNING OF EMPLOYEES

Lash [4], Cherniss and Goleman [1] say that it is possible to develop emotional intelligence and that development approach is of crucial importance. Last two mentioned authors [1] imply the problem of 'bad designing and bad implementation' of programs for development of emotional intelligence among employees. Namely, they say that it is possible to improve these 'soft' skills of employees, but that it is not easy at all. Key factor of success is good design itself, and appropriate implementation follows.

Lash therefore considers that the success of process emotional intelligence development is influenced by seven critical factors. It is necessary to:

1. ensure employees' readiness to really learn and implement the learnt (ensure their will to invest their time, effort and emotions)
2. motivate employees – to point out advantages, values, aims of this process. Only that way significant and valuable improvement can be achieved.
3. do the change – make the learning process directed to individual, personalized (in order to make every one involved feel pleasant, choose his way of learning, have privacy and accept change) and interactive
4. to set achievable, specified aims directed towards behavior (eg. in empathy development aim can be: to organize three dialogues next week simply exercising careful listening and skill of 'not jumping into others' words').
5. ensure possibility of practical implementation of knowledge,
6. provide support – for each change of behavior a lot of time is necessary (in EI development first significant results are notable after three to six months), support and directing that groups of colleagues, networks of partners or a personal trainer can provide.
7. ensure appropriate behavioral models and persons managing process and implementing what they teach – nothing influences demotivation stronger than person not implementing what he teaches others.

Cherniss and Goleman [1] point out that it is necessary to start from the fact that emotional learning is very different from cognitive and technical. It activates different parts of the brain, includes what is learned from the experience, deeply carved into memory and firmly defined as scheme of brain behavior. Therefore change of emotionally learned behaviors is a lot harder and must be learned or modified through experience (as it activates nonverbal part of brain, so experimental and learning through experience are only possibilities) – 'like riding a bike' according to mentioned authors.

As most important elements of emotional intelligence development (and at the same time implications for defining successful training in this field) they specify: 1. training and possibilities for practical implementation of the learned, 2. constant support and encouragement, 3. support of the manager in charge, 4. learning through experience, 5. involvement of emotionally intelligent trainers and teachers, and 6. anticipation of possible problems in the future (after the training) and defining their solutions.

Emotional intelligence is, therefore, developing through process that include transformation of a person and by which great and deep benefits are being achieved. Individuals gain new knowledge and skills, better self-understanding, wisdom and develop broader perspective of realizing the reality.

6. HOW TO MANAGE EMOTIONAL INTELLIGENCE OF EMPLOYEES – IMPLICATIONS FOR MANAGERS

„Ability of redirecting attention can enable manager for fulfillment of inner and outside demands according to principle of importance. Emotional intelligent manager can put an unpleasant and inappropriate mood to an end, and replace it with some more appropriate for solving emerging situation. Ability of mobilizing, causing and using emotions in different ways can contribute to solving different problems. Mayer and Isen imply that emotions can, subtly and systematically influence some components and strategies of problem solving. Emotional intelligence provides manager with planning and organizing efficiency, and establishing self-controlling in organization.” [5] Persons who develop competences based on EI tend to become less concentrated on themselves, and more on society less on their own and more on others' needs, they help others to succeed and are braver, more self-confident and ready to accept responsibility.

Thus leaders, in contemporary economical conditions characterized with fast and significant changes, have to be able to make organizational climate appropriate for achieving outstanding performances. During that, emotional intelligence has to be a concept on which successful leadership is based on. Development of emotional

intelligence includes personal commitment to long-term growth. "It is travel worth going to, as development of emotional intelligence does not enrich only our selves, but also organizations and communities we work and live in". [4] Advantages of possessing emotional intelligence are based on that it means: improving interpersonal relations, easier controlling of ones' behavior, lower stress, and improved motivation, (nonviolent) communication, image and possibility of influencing the others. The only flows are referring to the fact that it is usually difficult to learn and develop it. [2].

Leaders should [2]:

- manage themselves and not transfer frustrations to other employees,
- be aware of their own advantages and flows,
- motivate themselves and others,
- train, encourage others and develop good interpersonal relations with them.

On the other hand, neither leaders, nor other employees should:

- assume that employees leave emotions before the organization's door,
- that emotional intelligence is not important for them,
- that their emotional intelligence is already fully developed.

REFERENCES

- [1] Cherniss C., Goleman D. *Emotional Intelligence*, Business- The Ultimate Resource, A&C Black, London, 2006, p. 408-409.
- [2] *Emotional Intelligence*, Business- The Ultimate Resource, A&C Black, London, 2006, p. 456-457.
- [3] Goleman, D. *Leadership that gets results*, Harvard Business Review, vol.78, no.2, March/April 2000, p. 78-90.
- [4] Lash, R. *Emotional Intelligence and Leadership*, Business- The Ultimate Resource, A&C Black, London, 2006, p. 260-261.
- [5] Nikić, P. *Emocionalna inteligencija u liderstvu*, Centar za proučavanje emocionalne inteligencije, www.emocionalnainteligencija.com/lat/eq-liderstvo.html. Date of accession: 13.01.2009.
- [6] Nikić, P. *Emocionalna inteligencija u organizacionoj kulturi*, Centar za proučavanje emocionalne inteligencije, www.emocionalnainteligencija.com/lat/eq-organizaciona-kultura.html Date of accession: 13.01.2009.

ROLE OF SERVICES IN NATIONAL ECONOMY

Bratislav B. Prokopovic, Irena Z. Smiljanić, Tatjana S. Prokopovic

Business Secondary School of Nis, Nis, SERBIA, e-mail: boraprokopovic@gmail.com

***Summary:** Nowadays it is spoken and written a lot about new competition, whose appearing is directly associated with changes in development of service sector. These changes are result of uncertainty caused by market and promene technology influence, but as well of more and more choosy consumers, asking for better quality of services. Arising changes require from companies to face new reality and market competition. Namely, technical solutions are not anymore keys for market sucess, because that role is more and more taken over by services and similar elements, about which management of a company has to develop strategy: quality, price, image and service.*

***Key words:** New competition, changes, market, services, product, commodity, strategy, technology, marketing, management, company, price, quality, image.*

1. INTRODUCTORY DISCUSSIONS

Services are often defined as fulfillment of the group of tasks by one person towards the other. In this sense they cover huge spectrum of activities, that is working offer from very simple to highly complicated (e.g. brain operation).

Prevailing opinion nowadays that services make fortune, especially when they contribute satisfying human needs. Contemporary rich society is inconceivable without services, which actually make that wealth. In industrial societies, wealth is measured by commodities quantity, whereas in postindustrial by citizens' quality of life of a certain society.

Services are basic in some recycling processes, as well as activities connected to: research and development, commercialising of technological innovations and marketing representing services. It is inconcievable nowadays to organise economic life without services, and necessity for services is especially noticable in two fundamental functions of economic system - production and sale, product/service marketing. Services nowadays offer basis for establishing national and global markets.

Function of services is seem through connections between different economic units in a society. The process of goods coming to consumers, or users is possible only with the help of services, which in this case have function of bringing together and making connection between offers and orders, parties of an economic activity possessing organised market. Making connection could be done by {network} services, which make it possible for an individual person and companies in one country.

The most important role of services is seen in making so called nontangible goods, among which information is the most important one.

Service sector represents main factor of contamporary economy, because during the period of economic recession, employmnt in service sector grows, and during economic ekspansion grows faster than industrial sector. During the last twenty years, employment in public sector has grown to 2,1% (during recession) to 4,8% during economic exspansion, and in production sector (during recession) decrease of 8,3% was noticed, and during economic prosperity production in this sector increased for only 3,8%. Services significantly stimulate economic growth, providing new knowledge which did not previously exist; connecting of discrete production processes; coordination between of economic units in a phase of production, measurable only in relation to benefits added directly or indirectly to other activities.

Every company during its activities has to use specific services in order to come to clients,as well as facilitate access of their products on market, and services are that factor which enables making global markets and

integration of national economies.

According to Giarini [5], services are motor force starting the engine of economic mechanism. They are so called production devices for satisfying basic needs and enlarging wealth of nation. Heskett [8] considers service economy to have put itself in a position of the economy leader, and services managed to become real production factor at the same level as the very material production is, and request for quick changes in quality of products and employments is inherent from service sector.

2. SERVICE DEVELOPMENT TENDENTIONS

Production companies produce solely material products which could be put in stock and transported, and nonmaterial services are less tangible products. Process of externalising is characteristic for world economy, is today manifested as strengthening of service sector, especially in developed countries, where dominant role of service sector is characteristic.

Process of tercalising was significantly manifested in employment as well, so that in last couple of decades increasing trend of growth in number of working people as active participants among populations taking parts in tercial activities (in developed countries even over 50%).

Services play main role in the economy of OECD countries, including over 60% of complete economic activity, and among ten most developed countries over 70%. In the following period the continuation of increasing, or even quicker uprising, trend is expected, emphasizing activities based on knowledge and oriented towards services.

The increase from 50 to 70% in the number of employed in services is noticed, and the total amount of money spent on srevices increased from 40 to 50-60%. Some authors underline that new workers in services do not lead to proportional increase of outputs, and majority of the studies predict that until the end of the century productivity of service sector is going to increase at the rate of only 0,5% per year proportional to 3,3 in manufacturing industry.

A couple of significant reasons influenced the increase and development of service sector, especially:

- * slower growth of productivity in service sector compared to the rest of economy;
- * greater request for services, from organizations as well as households;
- * separation of service providers; and
- * standardising of service providing processes.

Slower growth of productivity per worker compared to other sectors was considered to be the reason for the increased number of services. Fuchs [4] shows basic causes of this occurence, reflecting in reduced work per worker compared to industry; involvment of physical capital per worker which is larger in industry than in service sector; and there are bigger opportunities for faster technical changes in industry of goods than of services.

One of the major phenomena today is the increase of services (once made of companies), which are now bought on the market (*outsourcing*). Reasons for this are following:

- * Companies giving helping services to other companies are often able to provide them with lower expenses, with offer and innovation, by which those the users of the services become expense-competative.
- * Growing sophistication of needs for information, finance, computers, research and training, as faster development of new techniques and products, make it difficulties for the companies to keep rivals' competence in this area.
- * Trend in industry in the last couple of years is directed towards consolidation and concentration of competence, development with new possibilities for independant goods/services providers.

In national economy, outsourcing offers benefits as icrease of new services, better quality and lower prices. In the last twenty years, the increase of production in world's developed economies and it is especially dynamic in service sector (average growth in production in services was 3,9% and it is above average rate of the growth of production in agriculture - 1,2% and in industry - 3,6%).

From the following table is could be seen how important services in social product are: developed countries will not completely give up the development of industry production, nor will developing countries be deprived of the development of service activities by accepting the role of inferior participants in international work organising.

Table 1: The part services take in social product

Areas-countries	Services in %	
	1997.	2007.
Developed countries	65,6	71,4
Developing countries	52,5	58,1

Source: STI (2008.), The Service Economy, OECD.

In developed countries changes in structures of services as well are noticed. This way so called new services are based on new technology (computer, etc.) made increase of social product, while classic (trade, traffic etc.) remained constant. There is a completely different image when developing countries are in question, which reflects in smaller part that services take compared to those from contemporary technology domain.

Expansion of services is accompanied by many changes in technology, which inevitably influences all the economic sectors. Oehl and Wegner [9] underline important characteristics of so called old and new economy, where the old one meant: standardized production and lines of installation; production of services at home; local markets; vertical integration and big corporations; and in solid-framed technology.

Contrary to this, new service technology is characterised: ordered goods/services, larger offer and connected package of goods/services; net usage - mutual connecting; disintegration, small companies and big international corporations and flexible ways of production.

3. DEFINING SERVICES

Service is a complex phenomenon, and the very word is polysemic, starting with personal to services as products. Defining services from the perspective of marketing aims at putting production and exchange in function of different segments of the market. Marketing professionals were seriously occupied with this task, and most often used definition is the one given by American Marketing Society 1960. year. Services are represented as „...activity, usefulness or satisfactions offered to be sold or given when buying the product of usefulness or satisfaction which are on sale or given depending on the way of sale” [1]. For this definition it is said that is not precise enough, especially in dealing with differences between goods and services, because goods as well, represents usefulness and satisfaction for the consumer.

Stanton offers purified above definition in which services are represented „...as such activities which could be separately identified, which enable satisfaction of needs and which are not necessarily bound with sale of products or other services”.

Kotler [7] by service means every activity or benefit one participant offers the other, and which are essentially nontangible, and also that they do not have as a result the owning of anything. Service can but does not have to be bound to a physical product.

Gronroos [6] considers that “service represents the key for marketing”, that is the companies sell it as a crucial element in their market offer. Service is an activity or activities of nontangible nature which can, but does not have to, happen during the interaction between a consumer and a service or physical resources or goods, or organisational system, providing the service expected to solve the consumers’ problems.

Berry [2], compared to other authors, defines service as “deed, procedure and execution.” Two fundamental questions are: Towards who the procedure is directed and is it tangible or not by its nature? From these questions spread four possible classifications of services [2]:

- * tangible procedures on human bodies-airtransport, haircut and operation.
- * tangible procedures on goods and other physical possessions - plane cargo, loan mowing, being a guard;
- * nontangible procedures are directed towards human opinion - RTV shows and education;
- * nontangible procedures directed towards human nontangible values - insurance, investments, banking, consulting.

In reality it is very difficult to find pure and sole goods without accompanying service or, however service without company of tangible object. Services most often include a kind of interaction with providers, so that they can represent primary or peripheral activity during which no physical object is directly produced. This way, service represents non-merchandise part of transaction between customer and salesman.

Word service has many different meanings, which leads to noticeable unclearness when the concept is used in management literature, where in the most basic sense it can stand for industry, highway or offer, process etc. Individual experience of a given served good consumer differs and therefore consumers have to have different observing of nature of service and service provider, so it could be considered that the whole service encounter evaluated by consumer, but not only interaction with service trust.

4. GENERAL CHARACTERISTICS OF SERVICES

In economic literature about marketing and management services a couple of characteristics, helping the differentiation between services when compared to products, were treated. This is actually about combination of traits making a specific context within which service giving company must develop its marketing policy. These characteristics are: intangibility, perishability, heterogeneity, simultaneity of production process and spending and absence of ownership.

Services are intangible, that is less tangible than a product. The characteristic of non tangibility represents the

basic difference between product and service, and all the other differences regarding services vs. products relation are spreading from this.

Services very often could not be seen, touched, tasted before buying them unlike the products which could be seen, touched before buying. Depending on the degree of tangibility there are three groups of services: completely nontangible (museum and security services), services providing additional value for material objects (insurance) and services making material object available (financial services etc.).

All the characteristics of services importantly reflect on defining the serviced product and service system. Production procedure and servicing are integral components of service product, while material objects at production companies enable the product and marketing under condition may be separate processes. In servicing companies, function of marketing and

production represents inseparable processes. Two clients of every service are: people (donators and spenders) and atmosphere where the service takes place, but product being serviced influence: climate, soil and geographical position.

Service has five basic traits, nontangibility being the most important one determining the other four: inseparability (simultaneous production and consuming), variability, perishability and lack of owner.

5. SERVICES CLASSIFICATION

In literature we more frequently come across attempts of classifying services [8, pp. 30-34]. Even though some consider the classification not useful, they are of great importance for market people in thinking about how to act. Here is the attempt to combine attributes and make model for describing four basic kinds of service:

- * service factory - standardizing service with large capital investments;

- * service shop

- * mass service

- * professional services

Classification is based on dimensions of nontangibility and simultaneity, so when the first one enlarges, strategy marketing can be changed – from nontangibility to tangibility stressing [3, pp. 216].

The following criteria for service classifying represents combination of dimensions: degree of contact with consumers and customizing process, important for managing services. According to Looyu etc. we can state three kinds of these contacts:

- * interactive services of keeping - money from the bank, short and standardized;

- * interactive task services - interaction with an architect, where there is insecure transaction

- * personal interactive services - psychiatrist case, not just insecurity, but not clear picture.

Different kinds of services could imply different forms of management. Also different accesses are possible: consultant can occupy the position as a technical expert (interactive task services) or as a provider of the integrated problem solution (personal-interactive). Choosing the kind of contact will influence the way of designing service organization.

6. CONCLUSION

Services have until lately been considered non-productive activities of those dealing with them. However, on this developmental point of production forces is not at all organizable economy life without services, and necessity of services is observed through two functions of economic system: production and sale. They provide necessary connections for maintenance of all phases of production precisely defined.

Nowadays it could clearly be seen the great enlargement in the number of employees and services in relation to industry, and also money spent on buying different services. This is specially seen through intermediary company's asking for services.

In developed market economies today, the growing production is significant. That is best seen through active service involvement in social products of some countries.

Because of the complexity of categories used to classify services, it could be done according to: market, tangibility, professionalism, aim, way of regulation, working intensivity and contact with consumers.

REFERENCES

- [1] American Marketing Association, Committee of Definitions Marketing, Glossary of Marketing Terms, 1960.
- [2] Berry, L. L.; Service Marketing is Different, *Business*, 30, May-June, 1980.
- [3] Bratislav, B. Prokopović; *Osnovi marketinga* (7. izdanje), Proinkom, Beograd, 2007.

- [4] Fuchs, V; Service Economy, National Bureau of Economic Research, 1986.
- [5] Giarini, O; Notes on the Concept of Service Quality and Economic Value, Lexington, Mas, 1990.
- [6] Gronroos, C; Service Management and Marketing, Maxwell McMillan International Editors, 1990.
- [7] Kotler, J. W; Fundaments of Marketing, McGraw-Hill, 1981.
- [8] Čedomir Lj. Ljubenović; Marketing usluga (2. izdanje), ITI, Beograd, 1996.
- [9] Ochel, W. and Weger, M; Service Economy in Europe, Pinter Publisher for the Commission of the European Communities, 1986.
- [10] Zbornik radova nastavnika i saradnika NPŠSS, Niš, br. 1/08.

MODERN MANAGING OF TAXATION

Mihailo Radojičić

Faculty for Education of the Executives, Belgrade, SERBIA, e-mail: radoichich@hotmail.com

Summary: *Modern management of taxation is a big and realistic problem. Especially in transition countries like Serbia, taxation management has always been deemed as one integral part of administration and serves as one channel for the government to make contact with the masses. In fact, modern management of taxation system is one of the main parts of administration modernization. In the course of accomplishing the former, we are confronted with many challenges, including problems on concepts and methodologies as well as those arising out of practice and social environment. This article attempts to expound the connotation of taxation management and its evolution to modernization by using the framework of customary rule research and in combination with some practice in modern management of taxation system of Serbia.*

Keywords: *taxation, management, transition, Serbia.*

1. CONNOTATION OF MODERN MANAGEMENT OF TAXATION SYSTEM

In general, taxation management is the collective term of the taxation management measures adopted by the authorities in order to implement the Tax Law and protect the lawful interests of the state and citizens, which includes such two aspects as management of taxpayers and tax sources and internal management of taxation authorities. The targets, processes, means and methods of internal and external management are totally different. The internal management of taxation authorities serves the management on taxpayers and tax sources with high-efficient and clean-handed work and low management cost as its target. To realize the target thereof, taxation authorities shall carry out administration according to law first to ensure the high quality and output, low transaction cost and high satisfaction of taxpayers. Low transaction cost covers the social transaction cost resulting from the implementation of taxation management measures and the transaction cost between taxpayers and taxation authorities. Thus, modern management of taxation system is composed of modernization of the internal management in taxation authorities and modernization of taxpayers and tax sources management, which features a ceaselessly cyclic and progressive process as well as an everlasting process. How to solve these problems is one constant issue in the course of realizing the modern management of taxation system. In other words, modern management of taxation system is to realize the objectives fixed in taxation management by assimilating the most advanced management philosophies and methods as well as making full use of the available technical means in all the fields and processes of taxation management. It is need to point out that the following elements for modernization are implied in the definition given by us: the first is the modernization of taxation management environment, which acts as social and material base; the second is the modernization of taxation management tools, including the modernization of the tools universally used in the society and the tools involved in tax collection, the utilization and improvement of which will economize on manpower, reduce labor intensity and expand people's cognition scope and management capability; the third is the modernization of taxation management methods, namely, some effective management methods in other fields and the application and innovation methods to be used after tools modernization will be utilized in taxation management field; the fourth is the modernization of taxation management system, in other words, certain improvement and reform in systems will be facilitated in accordance with the results of methods and tools improvement, featuring a leap from quantitative change to qualitative change; the fifth is that the modernization of taxation management system is bound to react the taxation management environment, thus impelling or causing the further improvement of ambient environment. Consequently, modern management of taxation system is a cyclic and progressive process in fact.

2. PROCESS OF MODERN MANAGEMENT OF TAXATION SYSTEM

Modern management of taxation system includes four stages or steps, i.e. environment modernization, tool modernization, method modernization and system modernization. After a cycle is completed, a new cycle will begin. In general, it is a gradually improvement course.

2.1. Environment Modernization

Taxation management depends on certain social environment, which includes the legal environment and economic environment of the society, people's living environment, business management level and the standard of technologies used universally. The environment we are now under is that Serbia has entered into an information-based era, which witnesses that IT has almost penetrated into every aspect of our life, Internet has been popularized, E-administration of the government and e-commerce of enterprises have been spread gradually, the management level of enterprises is improved greatly due to their participation in international competitions and Serbia's accession to WTO, the transaction costs of enterprises get lower and lower because of the application of electronic accounts, the transaction is speeded up increasingly and the informatization degree of the financial institutions like banks is very high. In addition, the overall economic increase level is good, the differences among regions are still existent and people's living standard has been improved greatly. However, the gaps between cities especially Belgrade, and rural areas and among regions are still large, greatly affecting the overall economic consumption and investment functioning. Thus, the environment Serbian taxation management relies on is gradient. From the view of the system environment of administration, administration according to law has been regarded as the first objective put forward by the Serbian government. Furthermore, the philosophies and methods of public administration has infiltrated into routine management of the government as well as taxation management.

2.2. Tool Modernization

Presently, the taxation management tools can be divided into two categories in Serbia, i.e. tax collection tools and universal tools. Tax collection tools consist of invoice and bank A/C, while universal tools mainly cover IT, communication technology, false proof technology, data identification technology, other relevant technologies and corresponding equipment and facilities as well. Firstly, let's discuss the modernization of universal tools. When taxation authorities conduct taxation management, they will use these technologies, arm with the equipment and set up or employ these public infrastructures, thus simplifying the tasks that were complicated and strenuous in the past so as to liberate the manpower from it. For example, taxation accounting and statistics, which is very heavy task previously, has now become very simple work. If you can use these accounting and statistic software systems and input the data into them accurately, you can get satisfactory results from the systems. And the manpower resources saved can be chosen to engage in more sophisticated assignments with higher added value, such as analysis on tax sources and the relations between tax revenues and GDP structure, etc. Secondly, it is necessary for us to discuss the modernization of tax collection tools. In many western countries, the bank accounts of taxpayers have been authorized according to law, by which they have to be under the control of taxation authorities. However, there are no sufficient laws and regulations in this field in Serbia, thus the control of taxation authorities on taxpayers' bank A/Cs, credit cards, etc. is almost blank. In reality, if taxation authorities are authorized according to law, the problems, which seems difficult to be solved nowadays, will be settled easily, because the informatization degree of financial institutions in Serbia is very high and there is no technical barriers at all. Another tax collection tool used in Serbia is invoice. When the invoice was firstly put into use, the financial industry in Serbia was not developed. Under such circumstances, competent authorities had to control tax sources and collect turnover tax, income tax and other taxes by uniform business vouchers. All the tax systems in Serbia are almost designed on the basis of such technical means. If the modernization in the technology and management of invoice cannot be achieved, the foundation of modern management of taxation system won't exist. As time went by, electronic invoice, tax control invoice (invoice that is issued by the tax control facilities), invoice certification and crosscheck & comparison, etc. appears. Meanwhile, a series of innovations on the technology and management means of invoice are conducted. For instance, the anti-fake tax control is introduced to monitor the issue and application of special VAT invoice and the tax control POS machine are popularized to issue common invoices, etc., all of which integrate electronic technology, anti-fake technology and network technology as well. Of course, some of the measures used in them are transitional, but they have laid the foundation for establishment of national uniform invoice certification and crosscheck & comparison system as well as the realization of online real-time invoice issue between taxpayers and taxation authorities in the future. Tool modernization also includes the modernization of infrastructures and main equipment. As for taxation management, the tools consist of the backbone information network covering the whole country, network systems extending to various taxation authority branches, computer equipment and

other relevant devices.

2.3 Method Modernization

By method modernization, we mean that the methods in modern management, economics, mathematics and information science are put into the practice of taxation management to realize the change of management thoughts and the effectiveness produced by tool modernization are given free rein to improve the quality and efficiency of taxation management.

The modern management of taxation system in Serbia is now at this stage. In particular, formulate relatively scientific and reasonable taxation plans through macro-forecast on taxation and economy, and then explain taxation plans by analyzing local and industrial economy, thus the general problems existing in taxation management are found out. Finally, thinking different cases over and take appropriate measures to solve the problems. In order to heighten the tax payment compliance of taxpayers and raise the pertinence and availability of tax sources management and accuracy of check case selection, the tax payment evaluation method is employed to specific taxpayer. By using the economic model to simulate the economic operation of specific enterprise, we can estimate the tax categories under normal operation conditions of the enterprise and the difference between total taxes payable and actual taxes paid. After that, we will analyze the financial statements and tax returns submitted by enterprises to find out problems and doubtful points. According to the size and grade of different problems, they are delivered to tax sources managerial personnel for further interview and on-the-spot check. Serious problems will be handed over to the inspectors for examination and settlement.

In order to improve the quality and efficiency of taxation management, the tax sources are classified in a scientific way, that is to say, the tax sources are classified according to the operation characteristics of taxpayers in different scales and industries. The terms in mathematics are used to look for the isomorphic and homomorphic assemblage of enterprises and abstract the taxpayers with the largest universality as one management subset so as to conduct scientific management and improve the management efficiency. At the same time, the law of great numbers is also playing certain role according to the statistic law. It happens frequently that 80% of the tax revenues comes from 20% of the taxpayers, that is to say, 80% of the taxpayers only offer 20% of the tax revenues. However, at least 70% of the energy of taxation authorities is consumed. Hence, we shall implement pertinent management to key taxpayers and serious problems.

Based on current informatization conditions, we shall use the theories like systematology, cybernetics, degenerative feedback, operational research to recreate the tax collection flows, pick up the major flows and auxiliary flows respectively as well as the key route of these flows, abstract and define the basic elements and essential factors of common flows. After that, we shall recreate the taxation business flow, simplify and optimize the management links and taxpayers' tax processing links, thus reducing the taxation management cost.

By risk evaluation, taxation authorities adopt different management measures according to various risk grades. For example, the taxation preservation measure shall be taken to those taxpayers who are suspected of tax evasion; special monitoring shall be carried out to those taxpayers who are suspected of tax avoidance; taxpayers who owe taxes shall be urged to declare or pay the taxes overdue. If necessary, corresponding legal measures will be adopted. Meanwhile, in order to encourage the taxpayers to pay taxes according to law, taxation authorities carry out the tax payment credit class appraisal system. To taxpayers with high credit class, taxation authorities can reduce the number of checks and provide more convenient service when they process relevant taxation formalities. In addition, one important characteristic of modern taxation management is that taxation authorities regard taxpayers as customers and rational economic men. Then, the informatization and modernization of internal management becomes a very urgent problem. To realize the informatization of official documents and financial affairs, taxation authorities shall learn from enterprises in terms of assessment of human resources and performance, incentive system, internal customization management, etc. and absorb appropriate nourishment from modern business management theories.

2.4 System Modernization

After the modernization of taxation management method is basically realized, taxation authorities shall consider how to consolidate the achievements that have been already made. Meanwhile, the taxation management system and structure shall be reorganized so as to ensure the realization of modern management of taxation system and the leap from quantitative change to qualitative change. We think that the system modernization can be accomplished using the following steps: (a) Institutionalize the efficient management modes, experience and methods. The achievements obtained in the aforesaid stages are generally represented by the experience, methods and management modes of some individuals and organizations. We shall summarize and abstract these experience and methods as well as analyze and extract the management modes, then fix them in the form of specific systems. (b) Reorganize the taxation business by scientific methods. That is to say the taxation policies, flows, posts and functions are recombined, allocated and optimized after the recreation of flows. The taxation

management setup shall be reorganized, the posts shall be reallocated and functions shall be further divided after business reorganization.

(c) Establish the internal incentive and constraint mechanism that is in conformity with the characteristics of taxation authorities in light of the result of business and setup reorganization, thus solidifying the achievements acquired in taxation business and setup reorganization. (d) Raise the organization's adaptivity. Taxation authorities shall conduct transformation on management concepts and thoughts, gradually offer the socialized and customized service to taxpayers and reform the tax collection flows and management flows, making it more suitable for rational economic men. Furthermore, taxation authorities shall combine the reduction of taxation management cost (including the management cost of taxation authorities and cost for the taxpayers to comply with taxation management and the tax law) with the economisation of social transaction cost (including the transaction cost between taxpayers and taxation authorities and that among taxpayers) so as to reach the optimum conditions of taxation management and make preparation for the change of social environment.

3. CONCLUSIONS

Modern management of taxation system involves a series of stages and different tasks shall be completed at each stage. It features a continuous process where distinct emphases are highlighted. The key to the successful modern management of taxation system is how to grasp the right opportunity and stage to solve the principal contradiction and primal problem at current stage so as to make preparation for the next stage. Modern management of taxation system represents itself an everlasting topic, so there is still a long way for us to travel. Only every participant works hard, can new problem be found out and solved and can we always take our place in the front ranks of the era.

REFERENCES

- [1] Galbraith, J. K. (1975), Novac – odakle je došao, gde je otišao, Grmeč, Beograd (1997)
- [2] Greenspan, A. (1999), „Monetary Policy and the Economic Outlook“, Testimony before the joint Economic Committee, U. S. Congress, Federal Reserve Board, Washington, DC, June 17, 1999.
- [3] Mishkin, F. S. (2002), The Economics of Money, Banking and Financial Markets, Addison-Wesley Longman Inc, United States.
- [4] Polanji, K. (1944), Велика трансформација: политичка и економска исходишта нашег времена, Филип Вишњић, Београд (2003).
- [5] Minsky, H. P. (1986), Stabilizing an Unstable Economy, The McGraw-Hill, 2008.

THE PRODUCT DEVELOPMENT IN MARKETING SERVICE COMPANY FUNCTION

Jasmina Rajakovic, Jelena Mijailovic, Vesna Rajakovic
d.o.o. PRIVILEG, Sabac, SERBIA, e-mail: yeya_m9@yahoo.co.uk

***Summary:** The function of marketing services for the development of new products plays a very important role. Is a significant permanent presence in the environment where it makes direct contact with the environment, and time is achieved and the possibility of finding new ideas for development and marketing of new service products. The function of marketing initiatives in terms of running the state of analysis on the market with the existing range, and also looking for ideas and possibilities for a new service. Collected information from customers and after a detailed analysis is determined by the concept of further steps in terms of innovation or a new product that would make the company a profit.*

***Key words:** management, marketing, development services, the company.*

1. INTRODUCTION

Nowadays, a priority task of every organization is selling products and services. This practically means finding, taking over and retaining the customers and other factors where the realization of tasks is made, which can be achieved only if we project a product that meets the customers' needs, and in the same time satisfaction of the organization and society.

In this way, during the realization of business one of the important role has the marketing which should, before the work commencement, determine the demands for a potential buyer or some other form of cooperation and offer the service which:

- meets the requirements defined by the potential buyer,
- meets the defined needs of potential customers,
- meets the required expectations, and
- educates and leads the potential buyer to express new needs in the form of demands for a new product or service.

The stated objectives can be achieved only if the focus of creative activities moves from the goals of the quality to the goals of quality and innovation.

2. FUNCTION OF MARKETING IN SERVICE COMPANIES

In the standard JUS ISO 9004 "Quality management and elements of quality system" are the guidelines to suppliers so they would meet the requirements of quality standards and that the marketing function should have a leading role in determining the demand for quality of products with:

- determining the needs for products and services,
- exact determining the market demands and its sector in order to determine the class, quantity of prices and estimation of time for the product or a service,
- accurate determining the user requirements by reviewing the contract or the market demands, and
- clear and accurate report the entire customer demands as a starting point.

In the above standard the functions of the marketing are also required to, based on the collected information make the "summarized information about the product", which in fact represents a set of preliminary information

that are created from user requirements and expectations, because of what the summarized information on a product presents a foundation for product design

Summarized information about the product may include the following requirements:

- work characteristics,
- sensory characteristics,
- configuration of devices or fitting in,
- effective standards or regulations,
- packaging, and
- providing/verifying the quality.

In the standard JUS ISO 9004-3 "Guidelines for the production/processing of materials" due to the specificity of the average material we distinguish the requirements that are given in the summarized information about the product. Therefore we state the following:

- a) operating characteristics such as strength, durability or endurance, resistance to corrosion, heat resistance, workability and other properties that can be measured;
- b) sensory characteristics (design, touch, taste, smell)
- c) security and environmental requirements;
- d) applicable standards and regulations;
- e) packaging, transport, transshipment and storage
- f) providing/verification of quality

The standard JUS ISO 9004-2 specifies the requirements for marketing in services organizations. Elements of quality management that are related to marketing should include:

- Determine the needs or expectations of users that are related to the offered service,
- Additional services
- Competence of activities and performance,
- Review of legislation (e.g. health, safety, environment) and the adequate national and international standards and regulations, analysis and review of data user requirements about the service and contractual information gathered, consultations with all the functions in the organization that affect the quality of work to confirm their obligations and ability to meet the requirements for the quality of services,
- Research for analyzing the changes in the needs of the market, new technologies and the impact of competition, and
- Application of quality control.

The results of market research, analysis and the agreed supplier obligations are given in the "concise information about the service." This information defines the user needs and the appropriate ability of service organizations, so that presents the basis for services projection.

3. PRODUCT DEVELOPMENT AND MARKETING ACTIVITIES OG THE SERVICE COMPANIES

Product development and marketing activities can be seen through:

1. Organization positioning,
2. marketing research,
3. creating the organization's image,
4. public relation,
5. product advertisement, and
6. new products promotion.

3.1. Organization positioning

Positioning the organization is the first step in the marketing activities and covers precise determinating the class of measures of competence and organization measures in the environment in which it operates .

3.2. Marketing research

The literature makes a difference between marketing research and market research. By definition the marketing research deals with the measurement and analysis of all the "factors that affect the marketing of products and services, and measuring the effectiveness of commercial advertising, distribution channels and the whole area of consumer behavior", while the market research "deals with the measurement and analysis of the market".

As a subject of research, there are:

- Research of possibilities in the market includes:

- research on market potential;
 - research on participation in the market;
 - sales analysis;
 - the prediction of sales;
- Product research includes:
 - research on product lines;
 - research on individual product;
- Promotion research includes:
 - research on economic propaganda;
 - research on personal contact sales;
- Distribution research includes:
 - research on sales channels;
 - location research;
- Price research.

From the aspect of requirements satisfaction of the JUS ISO 9000 standard, the organization must determine the process of marketing research, in other words, it must determine what, when and how they must work, and if possible, where and why.

In the management of the marketing research the first activity is the definition of the researched problem. The next step is collecting the information needed to define the research objective. When we set the research objectives, we define the type of studies and methods for collecting data. Information can be gathered in three basic ways, by testing, observation, and experimentation. Method of testing by survey consists of the questioning users of the product or service in order to obtain primary data, interviewing a certain number of users. Testing can be done in several ways such as phone, mail, personal interviews, group interviews, and combined (by mail and phone). Methods of testing depend on the level of detail and reliability of the wanted information, as well as the costs and time required to obtain information. Analysis of the data collected consists of systematization of both quantitative and qualitative analyzing. The result of every market research should be to define and promote the needs and demands for specific product or service in the form of feasibility studies. This study contains specific summarized information about a product or service that is the foundation for the sale or development of new products.

3.3. Organization's image

The function of marketing (along with other functions) is largely responsible to create an image of the organizations based on the reality that the organization can meet the needs of its customers in accordance with professional standards and ethics of good practice whose elements are:

- Confidence in your own organization that it can meet the expressed requirements of customers,
- Security, completeness and competency of your business system,
- Effectiveness, communicativeness and flexibility as characteristics of a free and independent organizations, and
- Innovation as a characteristic of development-oriented organizations.

It is important that such image is shown by employees in the organization everywhere and in every place, especially in contact with customers. New image of the organization contains the following elements:

- Established quality system according to the standard ISO 9001, so that the organization gets the confidence for new jobs,
- Product quality according to the established requirements and satisfaction of delivery deadlines,
- Professional and communicative staff,
- Competitive equipment, the know-how, business area, technology and methods of controlling and testing,
- Superior sales literature (catalogs, typical offers with product specifications, etc..), and
- Standardized design of the organization's visual identity.

3.4. Public relations

Public relations includes all activities aimed at achieving a picture of an organization that it wants to create in the eyes of its customers, in other words creating an image of superiority and leadership of the organization. Such an image can be created if the news media are constantly served (short and effective) information about the contracted or realized jobs and about interesting development projects. Also effective are the presentations of results of research-development papers in scientific meetings and publications as well as initiatives to resolve its problems of infrastructure with investors and authorities.

3.5. Advertizing (of quality)

The advertising is the process of expansion of commercial information. The purpose of advertising is to increase the volume of sales and marketing, whether by advertising the products in order to motivate people to buy the product, or to advertise the organization (institutional advertising) in order to create a desired image of the company.

The concept of advertising products is based on the fact that the effects of a small stimulus to the human instinct, needs and desires, those instincts turn into decisions about buying products. At that point the organization advertising the product is faced with two problems:

Detection and presentation of the stimulus that turns drive into a buying decision,

Demonstration that the specific product is superior in comparison to others, from the aspect of satisfaction of the human desires.

Advertising based on real evidence is used for industrial products and somewhat for products of wide consumption and the most common forms are:

- results of laboratory testing,
- exploitation data,
- list of product characteristics,
- product guarantee,
- demonstrating the use of the product on television,
- proof about customers satisfaction, and
- Results obtained from testing in independent laboratories.

3.6. Promotion

Promotion is defined as a way of communication between the supplier and the customer in order to create a positive attitude about the product. Promotion has multiple goals, such as:

- Creating an image of the organization and its products, meeting the market with new products, maintaining the popularity of existing products, encouraging distribution channels, product advertising, etc...
- Promotion is an instrument used by the supplier to influence customers to choose to use its products. The promotion uses different media such as multimedia technology, video technology, etc...
- Activities of new companies are most commonly a promotion of the organization's activities, delivering of professional information, etc.

4. INFORMATION ON SERVICE PRODUCT PERFORMANCES

Analysis of the market aims to precisely define the needs, motives and behavior of customers in order to consider if there is market for the supplier's products.

If the analysis included one individual unit, its needs and intentions, then it is the customer's analysis.

Market analysis may be qualitative and quantitative. Qualitative analysis is used to determine who makes the market, in other words to determine the categories of customers. Quantitative analysis is used in order to obtain information about the organization, the quantity of products that the market can accept, as well as how to sell those quantities of products and on which markets.

This analysis should answer the questions:

- Who is the buyer?
- Why are customers buying the product?
- When do they buy it?
- How do they buy it?, and
- Where do they buy it?

In order to get the answer to these questions, it is necessary to gather relevant information from exploitation. Here the term "performance information" includes all information related to the use of the product - information from exploitation. This term also includes information about the performance of products and their impact on other participants in the chain of quality.

The most important information that is collected from the market:

- Feedback on existing product,
- Information about potential customers,
- Information about customer dissatisfaction after the expiry of warranty period,
- Complaints from exploitation,
- Information on the sale of spare parts,
- Information from the buyer, and
- Report of the state body.

5. CONCLUSION

Marketing function should have a leading role in determining the requirements for product quality. Hence there is a task for marketing the produced goods in a more effective way through advertising, publishing, or a variety of promotion. The function of marketing has the greatest role in the placement of new or innovated product on the market, where it depends on the performance of business and the whole production. Also, it has a role to deal with the already present products in order to maintain a certain reputation, and thus provide the long term survival and more successful staying in the market

An important factor in the realization of marketing jobs is to make the workers understand that they are the ones who need to determine how the business concept itself flows and thus the performance of the entire business and especially in the phase of development and marketing of new products on the market. Employees should not think that they are imposed to work, but that they are part of production without whom, practically, marketing jobs could not be done, because such thinking can lead to successful business enterprise.

REFERENCE

- [1] Čupić M. E., „Odlučivanje: formalni pristup“, FON, Beograd, 2003.
- [2] Janković, S., Momčilović, O., Milošević, S., „Marketing – na jednostavan način“, Familet, Beograd, 2008.
- [3] Janković, S., Momčilović, O., Martinović, D. „Menadžment – doba menadžera“, Familet, Beograd, 2008.
- [4] Momčilović, O., Doktorska disertacija, „Upravljanje znanjem i promenama odlučujući faktori savremenog informatičkog obrazovanja, Fakultet za menadžment, Novi Sad, 2008.
- [5] Momčilović, O., Adamović, Ž., Milošević, S., „Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja)“, Beograd, 2009.
- [6] Radovanović T., „Uspešan preduzetnik“, Fakultet za menadžment, Novi Sad, 2004.
- [7] Ristić D., „Osnove menadžmenta“, Fakultet za menadžment, Novi Sad, 2002.
- [8] Sajfert Z., Egić B., Nikolić M., „Strategijski menadžment“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2005.
- [9] Sajfert Z., „Menadžment ljudskih resursa“, Tehnički fakultet „Mihajlo Pupin“, Zrenjanin, 2004.
- [10] Stoner Dž., „Menadžment“, Želnid, Beograd, 2002.
- [11] Todosijević R., Šušnjar G., Ahmetagić E., Perošević B., „Promenama do uspešnog preduzeća“, Prometej, Novi Sad, 1995.
- [12] Todorović J., „Strategijski menadžment“, Institut za tržišna istraživanja, Beograd, 1997.

CONFLICT MANAGEMENT UNDER CRISIS CONDITIONS

Nikola Savić

Faculty for Education of the Executives, Novi Sad, SERBIA, e-mail: nikolamodrica@gmail.com

Summary: *High demands are posed before modern organizations regarding the efficiency of production factors employment and adaptation to market demands and requirements. In such a concept, a system of internal communication represents the key element for decision-making, directing and adjusting decisions and actions, motivating of organizational members and creating an organizational climate and culture appropriate for innovation, an organization development and superior market positioning. A purpose of this paper is to point out the significance of modern manager capability to construct a system of internal communication corresponding to demands and requirements of maintaining and development of a company, strengthening of its performance, market competitiveness and position.*

Key words: *internal communication, external communication, models of communication, communication networks, communication skills.*

1. INTRODUCTION

In everyday life conflicts present inevitable occurrence, whether it is about business or private life. Generally we define conflicts as a consequence of a struggle of different motives and volitions, in other words, as an impediment appearing on the path of realization of specific goals.

2. CONCEPT AND TYPES OF CONFLICTS AND CRISES

Some authors believe that every organizational process is a conflict one, because it flows in two opposite directions and it simultaneously includes any relationship between two persons, each individually shaping its idea not only about its role but also about what the role of the second person would have to be. From the concept of communication, a conflict is a sense of cognition of diversities or discrepancy.

We classify conflicts according to different criteria, related to period of duration, form, number of persons participating in it, etc. In an organization we classify conflicts to the ones found inside an individual (intrapersonal) and the ones between employees (interpersonal).

Inside an organization we differentiate the latent, covert and hard recognizable conflicts from the manifested, open and easy recognizable conflicts. The consequence of the latent conflicts is a tense atmosphere between the employees, incessantly opposing opinions different from the other person's opinion; the consequences of other types of conflicts are open mutual clashes often leading to a constructive solution of the conflict situation.

The conflicts could be perceived as latent or manifested contrariness of social actors; and crises with predominantly dysfunctional effects. The crises stem from different reasons, and primarily as a consequence of accumulation of the crisis processes occurring in various areas of a company's operations: in the domain of sale, production, human resource management, etc. or due to absence of the management actions to limit, stop the negative processes and to really decrease the future crises proportions.

Overcoming the crisis implies certain changes in organization, for the purpose of creating intraorganizational context that provides enhancement of the existing performances: efficiency and effectiveness. As a useful technique of organizational changes transformation is used as a radical intervention of establishing necessary order along four key dimensions such as renewal, remaking, revitalizing and restructuring [3].

In the process of remaking the conscience of social actors are affected in order to change the organizational concept and design a new, modified structure with new contents and roles of social actors (restructuring). The

renewal implies a spiritual change, a change of the way of behaviour of members of the organization, and revitalization implies initiating development and growth under the given environment conditions.

3. INDIVIDUAL AND ORGANIZATIONAL CONFLICT

Conflicts of individuals and internal conflicts happen inside an individual. In psychology three types of the most noted conflicts are: the conflict of dual approaching (a person is simultaneously attracted to two things excluding each other; the conflict of dual avoidance (we are trapped between two things that are repulsive to us) and the conflict of approaching and avoidance (the most difficult to solve because we are simultaneously attracted to and averse to a specific thing).

In a company and generally in any community where more people are connected it is normal that there are different interests and goals. The company could enable and prevent the satisfaction of individual interests. It is clear that an individual as a part of a certain community denies a part of his/her individual freedom and subordinates a part of individual needs to common (corporate) ones. If the individual is not prepared to subordinate himself to the groups' expectations, difficulties and conflicts could arise between the individuals or the whole group. The individual conflict can appear between the individual and his superior.

The role of the individual is different with relation to whether he/she comes into contact with other participants voluntarily or because of collective business goals within the organization. The individual expresses the strength, autonomy and independence related to the other individuals. In contrast to it the society often asks from the individuals to, with the best of its abilities, fulfill these requirements and become loyal and adjustable to the interests of the group. Thus, a conflict is often caused inside the person itself. The most frequent forms of conflicts arisen in such way are frustration and conflict due to contrast between the roles within the organization. When a person within society has more roles, then tension grows in him/her because he/she simultaneously has to adjust to a greater number of functions. As the result of this conflict there occurs his/her contradistinguished behaviour that acts confusingly on the environment. Such person transfers his/her tension and conflicts to all the person coming into contact with.

In individual conflicts, contrasts arise out of the person itself, whereas in organizational conflicts the contrasts arise out of the relationships within the organization.

The reasons for disagreement in organization are often conditioned by different wishes for realizing power and possibility of greater use of limited resources. In that case there comes to conflicts between the individuals, groups and the combination. From number of persons included into conflict depends the direction of the interests' orientation, determining also the significance of the ensuing conflict.

4. FUNCTIONAL AND DISFUNCTIONAL CONFLICT

Communication is often a cause of conflict, sometimes appearing as its symptom but also as a means of its efficient solution. In the context of communication, the conflict is a sense of cognition of diversities or discrepancy and it is formed when people interact. There is the increasing number of those who support the necessity of conflict interaction development because new ideas are created in that way, a new way of thinking that could be useful to everyone. It is in fact impossible to eliminate all conflicts; it is not even desirable because we would then lose an important way of development of teams and organization as a whole.

With regards to the way conflicts influence on the successfulness of a company, we can divide them into the functional and disfunctional. A conflict is functional if it assists a more efficient activity of an organization. In work processes conflicts influence on their improvement by collision between the old and new way of working, thus representing constant tendency towards changes.

In a company conflicts could arise between two departments that agree in purposes but have different views on how to accomplish them. Such situation creates competitive spirit because every one wants to win with its solution. This form of conflict encourages competitiveness, belonging to a group and has positive effects on the company's results. The other form of conflict is disfunctional and its characteristic is that it prevents business aims realization and weakens the company's results. These conflict act destructively on relations between the employees and create disinterest in work.

5. HORIZONTAL AND VERTICAL CONFLICT

The most significant classification of organizational conflicts in a company is on horizontal and vertical conflicts. The horizontal conflicts appear at an individuals or groups at the same level of hierarchy within the

company. The vertical conflicts appear among individuals or groups at different levels of hierarchy within the company.

Possibilities for conflict development exist in every situation where individuals or groups have an opportunity of their own comparison with other groups or individuals. The horizontal conflicts are often settled, encouraged or prevented by the direct superior. In case when it is ascertained that the conflict will produce negative effects, he/she is trying to prevent or limit it because it is about a disfunctional conflict which is destructive for the company. If the conflict proves as functional and thus helpful in achieving goals of the company, he/she is trying to stimulate it because it is constructive for the company.

The vertical conflict occurs among different hierarchy levels in a company. It is a conflict between two individuals, groups or departments, where one side is subordinated to the other. The subordinates try to decrease or eliminate the influence of their superiors, and the later are trying to keep or even increase the influence and power. To this conflicts first of all comes because of inability of connecting goals of different departments (e.g. in production, commercial or supply department), as well as due to the control range, structural relations, powers, lack of resources, difficulties in communication and also due to individual differences of individuals. These conflicts are usually resolved by the superior or the intermediary of the parties involved.

6. CAUSES AND EFFECTS OF CONFLICTS AND CRISES SITUATIONS

The factor that could cause a conflict inside an organization is usually not the only one, but there are more of them and they are intertwined. Each individual is a special person with certain characteristics, experience, knowledge, different comprehension and thus with different goals because of which there could come to disagreement or conflict. The difference of interests and goals is also shown in a company. Each member of the company has its role depending on the position and his personal traits, and those differences present the main cause of the conflict.

Two different persons enter into mutual relationship defined by mutual action and in that relationship they shape their role; at the beginning according to their own characteristics and later on with organizational process the roles are adjusted, i.e. changing. Some roles are not enough defined at the beginning and they become precisely determined during the organization process. The conflicts also arise due to some of the characteristics of organizational structures, most frequently as rivalry between organization members in pyramid structures, but also in hierarchy allocation of authorizations and responsibilities.

The most frequent cause for emergence of conflicts in a company is mutual connection, different interpretation of the goals, disagreement on general and expert issues, etc. The employees of a company are often concentrated to team actions and thus do not notice the conflicts between the members. The conflicts usually appear due to feeble communication, whether the members simply stop communicating or communicate so that tension is felt in the air.

Conflicts are a significant instrument of changes and can have positive, i.e. negative effects. The conflict is actually a welcomed and positive situation if we are familiar with it and if we manage to solve it. The conflict causes several positive effects that can be used as an opportunity for improving a process or relationship between the employees. First of all, conflicts point out to problems and demand solutions. We can suppress or avoid them, though they always appear in the same or different form. The conflicts break monotony and ask for action, encourage new interests, pose a challenge and bring dynamics into organizational life.

Conflicts arise from different interests and present a trigger for changes, forcing the organization members to direct all the activities into changing the existing state, with it often changing the old habits and coming to new ideas. Besides, conflicts often strengthen friendships, increase trust, creativity and productivity, and finally, offer satisfaction in work.

Negative effects of unresolved conflicts are downfall of communication, weakening of relations within a group, strengthening of hostile relations between individuals and groups, violence and aggressive behaviour. The unresolved conflicts prevent communication thus decreasing the quality of the employees' relationship, whereas by avoiding communication, the number of unresolved conflicts increases bringing to the fact that we only discuss on the most necessary issues.

The conflicts that we haven't managed to solve successfully often repeat and become the source of frustrations and hostility causing decline in relationship, aggressive behaviour and violence. Suppressed conflicts are very dangerous on social as well as on individual level because they bring up the state when the smallest misunderstanding could cause dangerous violence and different crisis situations.

There exist the following five phases of conflicts representing a cyclic process (Figure 1):

Potential opposition or incompatibility represents the first step of the conflict process and it is characterized by the presence of conditions that create opportunities for emergence of conflict. These conditions can be summarized into three categories: communication, structure and personal variables. Potential opposition occurs due to various outer influences or conflicts between the employees that we suppress, i.e. that we do not want to

face. The cause for avoidance lies in the fear or the management does not notice these limiting dangers. The managers dedicate to other issues, expecting that the potential danger will not develop into negative direction. Cognition and personalization presents the continuation of the previous phase in a situation where the mentioned conditions start to affect negatively at one or more members. The third phase includes intentions happening between perception and emotion of people and their public behaviour, whereby the behaviour doesn't always reflect the exact intentions of people. In forth phase, defined by Robins as behaviour, the conflict becomes visible because it includes actions of the members in conflict.

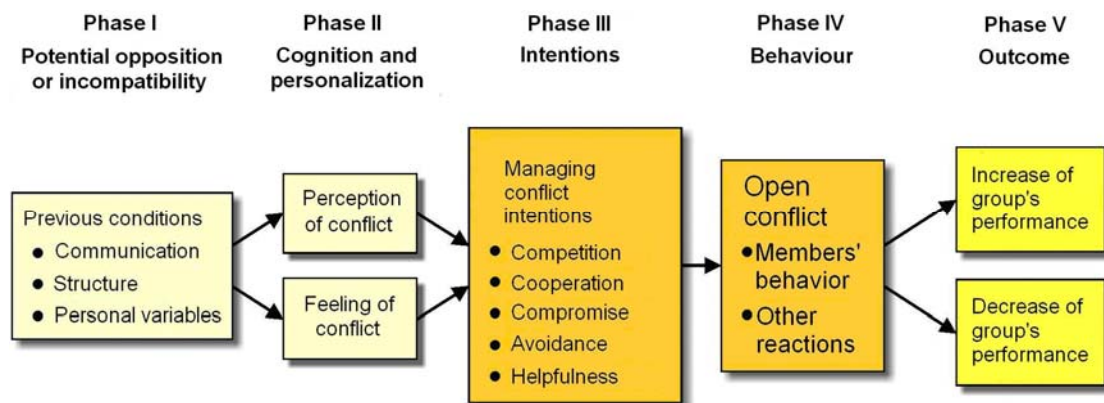


Figure 1: Phases of conflict development

7. SOLVING CONFLICTS AND CRISES SITUATIONS BY COMMUNICATING

We have to establish a difference between conflict management and their solving, because conflict managing essentially influences their solving and especially the realization and applicability of the solution. Each solution is followed by the realization and further possibility of cooperation of those found in a conflicting position. Possible methods of managing conflicts are:

- «I win, you lose»- according to that method the conflict solution is appropriate for me, but not for my partner. It is a simple solution that the partner will not accept and will sabotage it.
- «You win, I lose»- is the method enabling the solution for a partner and thus we do not want to participate into its realization.
- «We all win»- is the method enabling mutual satisfaction with the solution of a problem.

Conflict is a constitutive element of every human interpersonal system and of a company as well. When conflicts occur in the company, it is very important that we ask ourselves how to manage them, and also why it has come to them. For preventing the conflicts, i.e. for their solving we use different procedures:

Grouping or separating of individuals and groups is the easier and the safest way of preventing conflicts. Individuals and groups do not meet nor communicate so that there cannot come to a conflict between them. This separation in practice is almost unfeasible, because the individuals and groups mutually cooperate and depend on each other. Preventing conflicts based on uniting groups and individuals is efficient if they have same goals.

Employees need to know the range of their work tasks and have to know the competencies of each individual in the company. With the cognition, the possibility of emergence of heavy conflicts that would lead toward frequent crises in the organization would be reduced to minimum.

There are many styles of conflict management applied depending on the situation in which the conflicts emerge and of the style of modern manager [1]:

Forcing presents the management style by force with highly expressed autocratic style of the management. Collaborating is the style of understanding and collaboration of the conflicted parties and it is based on candidness and trust and as such it corresponds to a democratic style of management. Compromising is the style of adjusting where there are no winners but no losers either. Avoiding implies ignoring the conflict and crises situations. Accommodating represents the combination of high cooperation and insufficient self-confidence of the manager. Mutual characteristic of successful solving of conflicts and crises situations is open communication.

We usually come across three types of people in organizations: conflicts' creators, those who avoid conflicts and those who prevent them. The latter ones communicate consistently in a manner that prevent conflict or end it in an efficient manner. The idea guiding them is cooperative communication as a set of ways of communicating tending to decrease the conflict. There are namely certain ways of expression that encourage people to listen and

help them to accept a different way of thinking. It also relates to rules of conversation and speech culture necessitating from people to converse in an orderly way.

Communication is a process of taking over the participation- when one person finishes his/her statement, the other will supervene to his/her speech. Exaggerations or overstatements usually mobilize resistance, as well as the communication based on power and status. That is why it is necessary to strictly hold on to the principle on communication ending, i.e. on the subject, meaning not to speak about hundreds of things at the same time and not to let others do it. It is always necessary to end one subject first, to accomplish understanding and agreement on the solution and then to proceed. By such procedure of advancing step by step we are moving towards a true understanding and solving of conflict situations.

When a conflict arises, the key of its solution is in recognizing it because what is normal for one group could be abnormal to the other. Sometimes it is necessary to double observations in order to be sure what is happening, before we intervene. The intervention can be verbal or non-verbal, in form of a question, assertion or some type of body language directed toward an individual or to the whole group.

When solving conflicts we need to know that any solution leads to changes. That is why the best are those solutions enabling great changes to individuals and organizations. Communicating in crises situations has somewhat different specific characteristics conditioned by the type and intensity of crisis. Crisis situation presents greatest danger to a company losing reputation, especially at the so called perceptible companies. The company's reputation is then exposed to internal and external negative influences that could cause unforeseeable consequences. Certain theorists claim that it comes to a crisis when media, state institutions and interest groups define it as such. The negative publicity is often the cause of crises in certain organization. In fact, the beginning of crisis in certain situations is linked to cessation of the so called pleasant publicity. The connection of crisis with negative publicity can be observed through publicity on unpleasant events that have happened or haven't happened at all, but various speculations and gossips have become the source of crisis.

Basic characteristic of any crisis is its unexpectedness, i.e. not being prepared for the crisis or its time limit. Often, the cause of crisis is not unknown, nor can the consequences fully be anticipated. Novak divides crises into physical environment crises, public opinion crises, managerial mistakes crises, crises of economic-political ambient, sudden crises, covert crises and crises of internal publicity of a company [2].

Since the essence of communicating is arrangement of relations between the participants, most of the crises can be solved just by communication and primarily of those stemming from weak relations and different interests. Each planning of crises communication is preceded by the situation analysis, i.e. defining the problem. Proactive approach implies either constructing of company's identity or preserving the acquired image. In such operation, the situation analysis implies researching of internal and external publicity in the sense of positioning of the company in public.

At reactive approach, the situation analysis is preceded by defining the problem where several key questions need to be answered: What is happening? What is the cause of the problem? Who is involved or struck by the problem? How and in what way? Why is the problem a reason of concern of the company and its public?

Reactive approach actually implies the existence of a certain crisis that by its character can be of different intensity and can influence on different layers of the company and its target group. The situation analysis in crisis action demands a detailed description of the situation, of anything we know about the company, its history and the problem itself and thus on involved crisis actors. Internal analysis implies insight into the organization policy, the existing procedures and activities for problem solving, and activities of key people inside the organization. The analysis also implies a review of the organization's communication with the ambient for the purpose of the insight onto practice and possibility of its change. Often, in internal analysis the solution for certain problems is searched from within the organization's history.

The external analysis includes the analysis of anyone influencing on the organization or vice versa. In this analysis it is necessary to find out what they think, feel and how they behave in a crisis situation because during the solving they will be directly involved. For all of them it is necessary to determine special communication goals and means. In this analysis it is necessary to investigate how they are struck by the problem, what information are relevant to them, from where do they obtain them and how they use them. It will help us during creation of the message and choice of the most suitable media.

The goal is thus the state in which the organization wants to find in, and crisis communication is only one of the means for its realization. Goals can be managerial (showing the company in the best light), communicative (introducing the public with the existence of the company and provide public affection) and marketing (promotion).

The goal choice depends on the analysis of the situation and it can be defined as creating the conscience on something, overcoming the misunderstanding, eliminating the prejudices, promotion of trust into the company, confirming the company's perception and arouse the wanted behaviour.

The target groups are segmented into the internal and external. The internal group consists of all the employees in the company, their families and in narrower sense it is the union and other employees' associations. The external group consists of business partners, suppliers, buyers, financial public, media, state, local community,

various interest groups, international community, etc. Determination of the target groups after defining company's goals significantly determines the direction of operation and the choice of the strategy, i.e. of the action's tactics.

The strategy of crisis communication represents a package of activities that the reputation and publicity should be made by, i.e. for accomplishing of the set goal. The strategies of actions in crisis situations can be: a) the strategy of acknowledgement (the organization admits the existence of the crisis and endeavours to explain it) b) legal remedy strategy c) the silence strategy (the organization behaves as if nothing happened, does not comment the events and tries that the event doesn't become published by media) d) the strategy of retreat and attack e) the strategy of gradual preparation of the public.

8. CONCLUSION

The economic crisis wave is sensed strongly in our companies and by it there also comes to a crisis in internal communication with employees. Under these business conditions, managers of the companies are faced with a hard decision. What strategy should be assumed in further business operations? They have available two alternatives, one of them is to save on a quality, strategic communication or to engage professional associates from outside and be more transparent.

Crisis is, among other things, the crisis of trust and only through the renewal of trust can also be settled other economic problems. And the most important thing related to it is a good and successful communication. Companies should realize the crisis of trust as an opportunity to improve their communication, because the defects and complications will "surface" and become more visible. The crisis situations provide an opportunity for a new organization, setting things in the right way for the future, as well as an opportunity for the responsible ones to turn the negative issues into positive possibilities. The company's managers must act fast in the crisis of trust and use any possibilities being offered to them, as well as to learn to achieve better and higher quality results with less potential. Additionally, they should more than ever appreciate true values and invest into innovation.

In periods of crisis a regular and clear communication with employees is of key importance as well as the talent identification and developing of appropriate rewarding programs. The periods of crisis are a challenge for maintaining the motivation of employees and of their high productivity. First of all, it is necessary to identify key persons that will be important for the future success and ensure that they will remain in the company during the crisis period.

The internal communication is of special significance during crisis, reorganization and dismissal. It is a great mistake if an employee finds out some fact about his/her company from the newspapers first. One of the most present challenges the companies face is the silence of their internal interest groups. When the employees talk to the colleagues about whether the management's attention should be directed to something, the phrase that can be often heard is "it isn't worth it". The strategy of internal communication should encourage the employees to give their comments and notifications on relevant issues that could be harmful to the companies' reputation.

The famous statement of Sir Derek Higs that, regardless of how successfully you have developed the relations within a corporation, if you are unable to trust people you work with, you are in danger.

Whether the message will be accepted depends to a great measure also on the sender's credibility. That is the fact that should be taken into special account during choosing managers for important positions, because if they do not have the necessary credibility based on real skills and experience, with all human qualities, the process of receiving the message will be blocked at the recipients. Taking into account that reputation is developing from "top" (the first man) downwards, it is clear that on the basis of top management behaviour, in business as well in private life, the public to a great extent gets the idea on the company they represent. If at work you do not apply the same ethical and moral principles as in your private life and if you do not favour the same values, you will hardly gain trust of the employees and even harder of the external publicities.

REFERENCES

- [1] Simić, I. *Uloga menadžmenta u organizacionoj transformaciji preduzeća*, Kragujevac: Ekonomski fakultet, 1999, pp 281, ISSN 0353-8648.
- [2] Lončarević, R. *Menadžment u akciji*, Banja Luka: Ekonomski fakultet, 2005, pp. 263. ISBN 86-88103-22-6.
- [3] Novak, B. *Krizno komuniciranje i upravljanje opasnostima*, Zagreb: Binoza press, 2001, pp 234, ISBN 953-6920-01-8.

CYBER CRIME THREATS IN ECONOMICAL CRISIS

Zoran Savic

F@M Faculty for Management, Novi Sad, SERBIA, e-mail: savicz@famns.rs

Summary: History shows that crisis times have always been connected with the rise of criminal activities, specific for those times (prohibition in US, or gasoline and tobacco counterfeiting in our recent history). Beside classical forms of crime, they use the new computer technology as a new tool, the new form of crime, or cyber crime, exists, which is specific for digital world. In this paper the problem of computer crime is described, which in some segments have all characteristics of very well organized "shadow" economy. That makes fight against it very complex and very difficult. The structure of such shadow market is given, based on one year long research. At the end, a short survey of laws, acts, and regulations in this area is given.

Keywords: computer criminal, cyber crime, cyber law.

1. INTRODUCTION

Computer crimes are the natural response of criminals to society's increasing dependence upon technology. However, crime has always taken place, and computer is just another tool that can be used for good or bad. Fraud, theft and embezzlement have always been a part of human activities, but computer age has brought new opportunities and new space for all kind of criminals.

In the last 30 years, a lot of things have been changed in the computer world. PC revolution has been contributed that computers, with recently unthinkable capacities, are now in hands of millions users, connected by Internet. They make their everyday jobs through information exchange and cheap access to the rich digital content across the world. It makes the space for different malpractices, independent of the location of user, computer or attacker. In this new space (also known as cyberspace), made of all computers and digital appliances connected to internal and external networks, now it is possible to find all kinds of human misbehavior, with same or completely new motivation. Now, every PC user, independent of its computer skills, is a potential victim or attacker.

So, new terms appeared, as *cyber war*, *cyber terror*, *cyber criminal* and *cyber law*. Fortunately, examples of real cyber war and cyber terror are hard to find in today's world, but cyber criminal is a real and present threat. As the legitimate economy careens toward a recession, a few studies show that cybercrime is an area that's seemingly immune to the downturn, and it seems easy to predict that actual crisis will affect just its increase.

2. CYBER CRIME

Computer crime has been defined, almost thirty years ago, by the *US Department of Justice* as "any illegal act for which use of computer technology is essential for its perpetration, investigation or prosecution", and computer abuse is defined as "any intentional act associated in any way with computers where a victim suffered a loss, and a perpetrator made, or could have made, a gain" [1]. Analog to this, cybercrime is any criminal activity, which use digital, networked world (or cyber space).

There are different classifications of a computer crime. A *computer-assisted crime* is where a computer is used as a tool to help carry out a crime. A *computer-targeted crime* is where a computer is the victim of an attack crafted to harm it (and its owners) specifically. Some of the core issues of computer crime are unauthorized modification or destruction, disclosure of sensitive information and the use of malicious software (*malware*).

The cyber crime exists on different levels – the attackers are mostly individuals, but also organizations or even governments – they all use computer environment for their criminal intentions.

The organized crime uses every opportunity and environment to reach their goals. Now they use computers in their criminal activities such as drugs, money laundering, stealing, blackmailing, child pornography, piracy, etc [2].

Europol, European police agency, stated in its report about organized crime in EU in 2003, that "...establishment of world financial market, globalization and common European market give an extraordinary opportunity for organized criminal groups, which use actual progress in technology and cyber space. High technologies, in parallel with e-commerce and e-banking development, will be main area of future criminal activities."

3. STRUCTURE OF CYBER CRIME

There are many aggravating circumstances in fighting against computer criminal. These include proper identification of attackers, the inappropriate security level of computer systems and successful prosecution once an attacker is captured. Most attackers spoof their addresses and identities and use methods to cover their footsteps. They clean the logs that tracked their movements and activities. Because of this, many companies do not even know they have been attacked. Many of these criminals use innocent people's computers to carry out the crimes for them. They install malicious software on a computer using many types of methods: e-mail attachments, a user downloading *Trojan horse* from a web site, exploiting vulnerability in a computer system, and so on. Once the software is loaded, it stays dormant until the attacker tells it what systems to attack and when. These compromised systems are called *zombies*, the malware installed on them is called *bot*, and when attacker has several compromised systems, this is known as *botnets*. Typically, they are poorly protected computers belonging to innocent people around the world. You may have a bot running on your PC now and not know it. The botnet can be used to carry out DDoS (*Distributed Denial of Services*) attacks, transfer spam or pornography, identity stealing, or anything else, what attacker has programmed the bot to do.

Combinations of botnets, which allow attackers to generate huge numbers of emails, and targeted *phishing* techniques, that allow those emails to appear personal to the individual, results in an effective revenue generator for cyber criminals.

Botnets can be very damaging to the systems they are exploiting as well as to their end targets, because if a system becomes infected and unwittingly sends out spam containing phishing links or other malware, it will end up blacklisted by anti-virus filters and therefore unable to do business online.

Small and medium business is especially sensitive on those attacks, because of lower security level, and techniques that have been used in the past to target big businesses have been revised to target those most vulnerable. Robbing a small amount of money from a large number of individuals is proving more lucrative than robbing a large sum from a few.

Another problem is that most organizations do not have to report security breaches and computer crimes. They are afraid that the customer base, shareholders or investors, will lose confidence, and no company wants their dirty laundry out in the open for everyone to see. That is the reason why we don't actually have true computer crime statistics.

Another complexity that the digital world has brought is defining what has to be protected and to what extent. To the usual protected tangible assets (buildings, equipments, manufacturing tools, and inventory) now are added data (product plans, personal information, trade secrets, credit card numbers, medical information etc). As many companies have discovered, protecting intangible assets (as they are data and reputation) is much more difficult than protecting tangible assets.

In fight against computer crime, it is important, as in real world, to understand mentality of the enemy, their way of thinking, their motives and goals. In the real world, main motive for the criminals is some financial benefit, or revenge to somebody. The same motivations exist in digital world, with some additional motives, specific for this environment. For example, for some people that called themselves *hackers*, cyber space is a challenge, place to prove their capability to intrude in other computers, data bases or networks. There is no adequate analogy in the real world for this kind of activity.

However, the main motive for most criminal activities is still money. The teenagers who write viruses to prove themselves have grown up and now they're trying to make money.

The shadow internet economy is worth over 105 billion USD. Online crime is bigger than the global drugs trade.

There is a sophisticated online black market with tens of thousands of participants [3].

The big surprise is the level of specialization and the sophistication of the market. One research, which author of this paper has conducted over a yearlong period during 2008, mostly following ads on Russian web sites and spying on a number of digital underground forums, shows the framework of this market (Fig.1).

First, malware writers create new viruses, spyware, and Trojans to infect computers. For as little as 250 USD it is possible to buy a custom written malware and for an extra 25 USD a month to subscribe to updates that will

ensure that this malware evades detection. The vast majority of malware authors do not distribute it themselves. In fact, they offer their software "for educational purposes only" in the hope that this offers some immunity from prosecution.

A malware middleman buys malware from a programmer and uses the services of a botnet owner to spread it. A botnet is a remotely-controlled network of computers that have been infected by a virus. They give botnet owners the computing power and network connectivity to spam out millions of emails or send out hundreds of thousands of Trojan attacks or host a malicious website. Once the malware has spread, the middleman can sit back and start to collect stolen information and stolen identities.

The middleman sells the stolen identities to make money. A full identity he sells for around 5 USD. This includes full name and address, a passport or driving license scan, credit card numbers and bank account details. Credit card numbers sell for 2-5% of the remaining credit balance on the cards in questions. Identity thieves offer their customers a high level of service. For example, it is possible to buy identities sorted by a given country, industry, and role or credit cards sorted by remaining balance.

There is another category of middleman who specializes in turning stolen credit card identities into cash. He will buy credit card information and then use a "drop service".

A drop is someone who receives goods purchased with a stolen credit card. A middleman buys goods from online shops – typically cameras and portable computers – and then ships them to drops. The drops, in turn, post them on or sell them immediately for cash. This is how a stolen credit card is laundered.

They say that there's no honor amongst thieves and it is also true of the shadow economy. Fraud and rip-offs are so common that a system of guarantors and escrow accounts has emerged. Typically, these guarantors take 2-3% of the transaction value for their services. The emergence of these services shows a developing sophistication in the market, driven by economics more than technology or the demands of organized crime. It also shows that there are participants who value their long-term reputation.

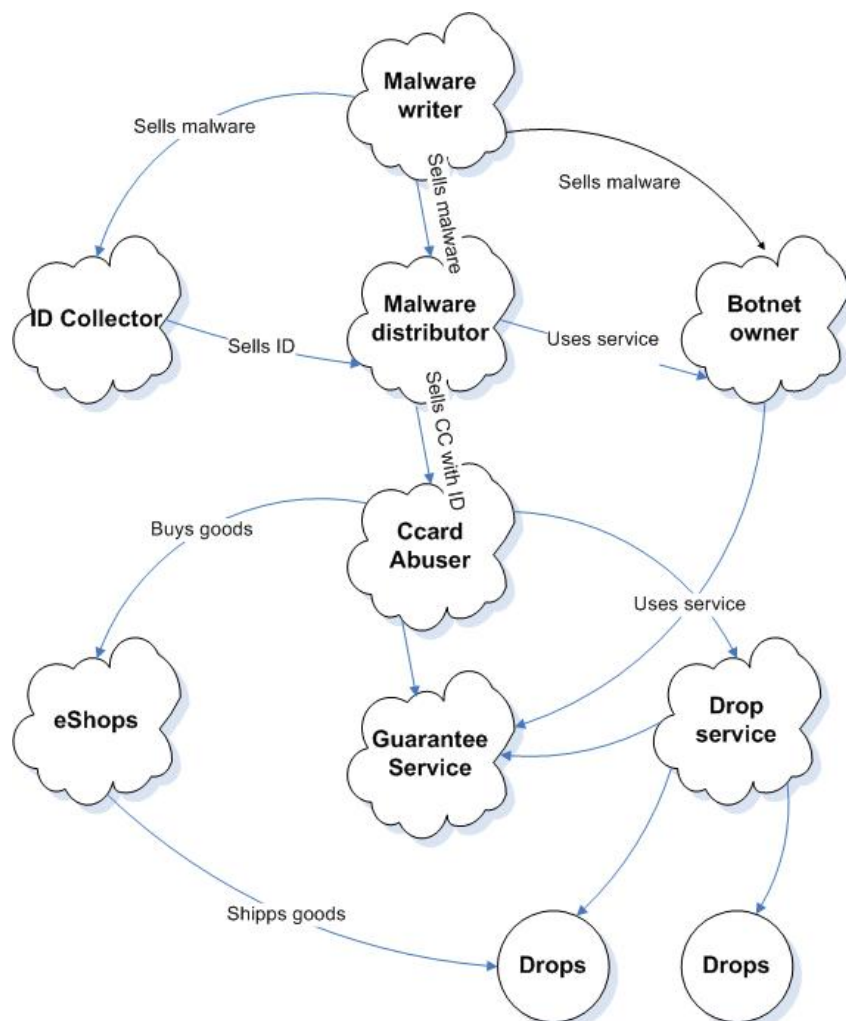


Figure 1: The structure of Division of labor in the shadow economy

The shadow economy has all the attributes of a traditional economy – division of labor, price competition, marketing and so on – accelerated to internet speed and carried out online. Adam Smith, the pioneering political economist, in his "Wealth of Nations", foresaw that the division of labor could produce increased productivity and quality. Similarly, competition drives down prices and tends to drive innovation. Another sign of growing sophistication is the continuous improvement in the quality of products. Malware writers work hard to test their products against anti-virus software. They offer guarantees that a given virus or Trojan will not be detected using current anti-virus programs.

It is not necessary to say that different forms of outsourcing are also present and used here.

While it is interesting to observe these classical economic principles at work in such new environment, it is necessary to pay attention on cyber crime threats, especially for companies that rely on the internet and email.

4. CYBER LAW

Most of criminal threats in digital world, as in real world, come from people, categorized in following groups:

1. Criminal (thieves, fraudsters, organized crime etc.)
2. Malicious (hackers, vandals, unsatisfied or layoff employees)
3. Spy (industrial and state espionage, competition)
4. Unwanted (spam authors, "ethical" hackers etc.)
5. Careless and unprofessional (employees, users, partners).

While it is possible to manage with last two groups, using adequate education, security culture building and appropriate security measures, the first three groups demand existence of adequate law.

Classical criminal activities, where computer is just a tool, in most cases can be sanctioned using existing laws, but new breed of crime, strictly connected to computers, demands new laws too. But even if we have a bunch of laws to get digital criminals it doesn't mean that cyber crime is under control.

Legislators, judges, lawyers and law enforcement are always a couple steps behind criminals, because of their inability to keep up with technological changes in computing world and their complexity. Even new techniques for fighting with different attacks appear every day, there is still growing need for adequate laws, regulations and methods for seizing and punishing their authors and executors. Law enforcement needs to know how to capture a cyber criminal, properly seize and control evidence, and hand that evidence over to the prosecutorial and defense teams. Many times, judges and juries are confused by the technology, terms and concepts used in these types of trials, and laws are not written fast enough to properly punish the guilty criminals.

The main difference, comparing to classical criminal, is transnational character of cyber crime. When computer crime crosses international borders, the complexity of such issues rises exponentially and the chances of the criminal being brought to any court decreases.

First, it is a problem of different law systems. There is a *Common Law* (used in US, UK, Australia, Canada and New Zealand), a *Civil Law* (used in most European countries), *Religious Law Systems* (some Muslim countries) and *Mixed Law Systems*.

Some countries have no laws regarding computer crime. One country may not consider a particular action against the law at all, whereas another country may determine that the same action demands five years in prison. Some governments may not want to cooperate with each other. If someone from Iran attacked a system in Israel, would Iranian government help Israel track down the attacker (even that attack was not carried out by government)?

Another problem is jurisdiction. Whose legal jurisdiction is a hacker from Russia, who steals credit card numbers from some US financial institution? Although the attackers are not restricted or hampered by country borders, the laws are restricted to borders in many cases.

Global organizations that move data across other country boundaries must be aware of and follow the *Organization for Economical Cooperation and Development (OECD) Guidelines and transborder information transfer rules* [4].

The OECD is an international organization that helps different governments come together and tackle the economical, social and governance challenges of globalized economy. Because of this, OECD came up with guidelines for the various countries to follow so data are properly protected and everyone follows the same type of rules. Although the OECD is a good start, there is still a long way to go to standardize how cybercrime is dealt with internationally.

The European Union (EU) takes individual privacy much more seriously than most other countries in the world, so it came up with *European Union Principles on Privacy*, as a ground for many laws which regulate these issues in countries – members of the EU. It consists from six main principles:

1. The reason for the gathering of data must be specified at the time of collection
2. Data cannot be used for other purposes

3. Unnecessary data should not be collected
4. Data should only be kept for as long as it is needed to accomplish the stated task.
5. Only the necessary individuals who are required to accomplish the stated task should be allowed access to the data
6. Whoever is responsible for securely storing the data should not allow unintentional "leaking" of data.

International laws regarding cybercrime are mostly concerned on intellectual property protection and privacy protection issues.

Intellectual property can be protected by several different laws, depending upon the type of the resource it is (trade secret, copyright, trademark, patent). Employees must be informed of the level of secrecy or confidentiality of the resource, and of their expected behavior pertaining to that resource. If a company fails in one of these steps, it may not be covered by the laws, because it may have failed to practice due care and properly protect the resource that it has claimed to be so important to survival and competitiveness of the company.

In the same group of laws belong those intended to fight against software piracy. Software piracy occurs when the intellectual or creative work of an author is used or copied without his permission, or compensation to the author [5].

Privacy is becoming more threatened as the world relies more and more on technology. In response, countries have enacted privacy laws. There are world known stories from 2005, about people's private information being either stolen or leaked from different entities. One incident involved consumer data collector *ChoicePoint*, which somehow managed to divulge the personal information of more than 140.000 people. It took the company quite some time to determine how many people's data was actually leaked. Another incident involved *LexisNexis*. Intruders managed to break in to the company's computer systems, where they gained access to roughly 310.000 people's private information [6].

Beside the laws, especially in US, there are a lot of regulations, intended to fight with different areas of cyber crime, originated on different levels (government, industry, organizations).

5. SERBIAN EXPERIENCE

The computer crime in former Yugoslavia has not appeared recently. The first cases were lifted at the start of the 80's. They were the embezzlements with the misuse of office - position and official documents forging by using the bank computers. In the next few years the first cases of hacking were registered, but since the criminal law did not recognize unauthorized access to protected systems as a special criminal act, there are no official records, how, when and to whom it happened [7].

The public was not informed since the hackers were trying to mask their activities. They were "assisted" by the injured and their silence.

Extremely complex political and economic situation made by the disintegration of former Yugoslavia has lead to the first confrontations between hackers grounded on the nationalistic basis. Especially evident is the confrontation between the hackers from Yugoslavia (Serbia) on one side, and Croatia and Kosovo on the other side. The climate of tacit approval was felt and the idea of patriotism rather than criminal was born.

At those times, besides *hacking*, the most widespread criminal activities were *stealing of Internet time* and illegal and harmful contents spreading. Later, presentation of pornography and children pornography has appeared, as well as religious sects, prostitution and escort, trafficking, virtual gambling, sport-gambling, credit card frauds and most of all - software piracy. The actual economical crisis brings new risks. The new threats for company data are coming from dismissed or unsatisfied employees [8].

Because of known political conditions in last 20 years, Yugoslavia struggled behind in legal regulation of the cyber crime problem. In the first half of 1998 by passing the law related to the protection of personal data (*Personal Data Protection Act*), and the law related to copyright and related rights (*Copyright and Related Rights Act*) a significant shift had been made. The same year 1998, Yugoslav Parliament has ratified *European Convention for the Protection of Individuals with Regard to Automatic Processing in Personal Data*. Although there were legal terms made for passing a special law for protection privacy and information privacy, it could pass a long time, for it to really happen. In 2008, Serbian Parliament has ratified *Convention on Cybercrime*, held in Budapest in 2001, by the Council of Europe.

The Law on Protection of Personal Data protection is for data about personality of citizens. These data are gathered, processed and used only if they are in concord with purpose which is affirmed by the law, or if an agreement of citizen exists. From the beginning of 2009, this law has been approved in Serbian Parliament. The draft of *The Law about Data Secrecy* is still in procedure, with lot of dilemmas and controversies. It is always very difficult to find right balance between higher security demands and jeopardizing of people's privacy.

These acts have been followed by *Criminal Code*, with one chapter dedicated to *Criminal activities against the security of the computer data*, which concerns the following activities:

1. Unauthorized use of the computer and computer network;
2. Damage to the computer data and programs;
3. Computer sabotage;
4. Computer fraud;
5. Interference with the operation of the computer data processing and computer network;
6. Unauthorized access to protected computer and computer network;
7. Design of and infecting with computer viruses;
8. Prevention or restriction of access to computer network.

In order to make these regulations efficient it was necessary to provide for the special regulations and principles which has been built into *Procedural Criminal Law*, namely in the *Criminal Law Act*.

The *Copyright and Related Rights Act*, which has been modified in 2005, regulates also computer programs copying and distribution. Copying is not allowed even for personal education purpose [9].

The Law about Organization and Jurisdiction of State Services in Fighting against High technology Criminal, from 2008, defines HT crime as those criminal acts, which use computers, computer networks and data, as well as their products in material or nonmaterial form, as objects or as a means of their execution.

Based on this law, Department of Prosecution office for fighting against HT criminal, Department for HT criminal in Belgrade District Court (with jurisdiction for the whole country) with specially equipped court rooms, and the same departments in Police has been formed. IT experts from police, prosecution office and judges have been passed practical education in cyber crime investigation, through PAKO program, organized by European Council. Till this moment, great problem in functioning of these departments is lack of adequate experts, especially in digital forensics area.

In 2008, 133 cases have been administrated in this court, with 55 finished processes, most of them in computer piracy area. They have been finished with financial penalties, even the jail time sanctions, from 3 to 10 years, depending on height of criminal benefits. Not enough time has passed to speak about effectiveness of these sanctions, but obviously they are minimal, and small number of cases has been processed and ended.

6. CONCLUSION

The aim of this paper is to point on a serious problem of computer criminal, which thanks to its transnational nature and its organization based on economical principles, represents a global threat. Actual economical crisis, with its unemployment problems and loss of jobs, financial, ethical and moral aspects, can only to contribute in cyber crime development. Unfortunately, when cyber crime is in question, we are already included in international division of labor, but in defending against it, we are still late. As a real foundation in fighting against computer crime it is necessary that certain laws and regulation exist, side by side with an appropriate education and arising of security awareness, as well as an organizational and technical security measures.

REFERENCES

- [1] Parker, D.B.: *Fighting Cyber Crime: A New Framework for Protecting Information*, John Wiley & Sons, New York, 1998.
- [2] Interpol, *The Fusion Task Force*, Sept. 20, 2004.
<http://www.interpol.com/Public/FusionTaskForce/default.asp>
- [3] Shipka, M.: *The Online Shadow economy*, MessageLabs, White paper, 2007, www.messagelabs.com
- [4] www.oecd.org/document/18/0,2340,en_2649_34255_1815186_1_1_1_1,00.html
- [5] Savić, Z.: *Software Piracy as a Form of Cyber Crime*, TKR Proceedings, Palić, 2008.
- [6] Edwards, M., J.: *Keeping Private Information Private*, Security Update, 2005
- [7] Drakulić, M., Drakulić, R.: *Balkan Hackers War in Cyberspace*, 14th BILETA Conference "Cyberspace 1999: Crime, Criminal Justice and the Internet", York, March 1999.
- [8] Derikonjić, M.: *Piraterija na prvom mestu*, Politika, 28.06.2009.
- [9] Zakon o autorskim i srodnim pravima, Sl. list SCG, broj 64, 2004.

WORLD ECONOMIC CRISIS – RISKS IN BIH

Aco Stanišić

Faculty for Education of the Executives, Novi Sad, SERBIA

***Summary:** This paper illustrates the situation in the world economy under crisis conditions, with a particular emphasis on the situation and business risks in BiH. A special accent is given to the issue concerning crisis conditions, influence on all economic migration and the activities to overcome the crisis. Government's role and importance under such circumstances is almost neglected. The businessmen themselves have to find out the conditions to overcome the crisis and adapt to new circumstances and business stabilization.*

***Keywords:** World economic crisis, world economy, business risk.*

1. INTRODUCTION

Within the period from 2004 and mid 2007, the world economy had the fastest growth in the last 30 years, with annual growth of 5%, and the majority of the growth came from the non-industrialized countries. However, in 2008 global economy was affected by growing financial crisis and raw materials price increase, as well as by correction of real estate markets in the developed countries.

Considerable deceleration of the economic growth worldwide is one of the general characteristics of the world economy situation in 2008 and, although the analysts predicted that in 2008 there will be a deceleration of economic growth, occurrences at the world financial markets caused even higher pessimism, and forced them to perform several corrections of their predictions within a year.

Although decelerated, global economical growth in 2008 was sustainable due to contribution of the developing countries, especially by countries which exported energy-generating products and raw materials. However, the consequences of the world economic crisis affected even the countries which had highest economic growth rates during the recent years mostly through reduction in export activities and investments.

The analysis of this paper will present the situation of the world crisis, crisis in America, in Europe, as well as the risks in BiH.

2. WORLD FINANCIAL CRISIS

Global financial crisis has started in the mid 2007, and in September 2008, reached its dramatic stage when the trust in financial markets and institutions was seriously lost. That caused a cascade of bankruptcies when Lehman Brothers, the second largest investment bank in the USA, announced bankruptcy, and the Bank of America, the largest commercial bank in the USA, bought the Merrill Lynch Investment Bank.

Sudden decrease of stock exchange indexes at the American market occurred, overflowing rapidly the European, and afterwards the Asian market (the biggest decrease in stocks at the main world stock exchanges since the Great Depression). Under such circumstances, the governments of the USA and West Europe were forced to undertake interventions aiming to save financial markets, therefore, they adopt a range of measures in order to support key institutions, stabilize the markets and regain the trust. At the beginning of October, FED, ECB, Bank of England, Swedish Riskbank and Swiss National Bank intervened, through a coordinated action, by cutting the reference interest rates by half a percentage point each, and afterwards, thus, the intensive loosening of the monetary conditions has continued.

Table 1: Real GDP, annual growth rate [5]

	2007	2008	2009	2010
World	5.20	3.20	-1.30	1.90
USA	2.00	1.10	-2.80	0.00
EURO Zone	2.70	0.90	-4.20	-0.40
Japan	2.40	-0.60	-6.20	0.50
Central and East Europe	5.40	2.90	-3.70	0.80
BiH	6.80	5.50	-3.00	0.50

While the American economy has been facing with the financial market crisis and striving to avoid recession, in Europe, more attention was given to suppression of inflation pressures than to supporting of economic growth until the third quarter of 2008. Accelerated oil price increase in the first half of the year, as well as the food price increase were the main reasons of the inflation rate in EU which exceeded 4% level, which is double than the ECB target level.

In order to provide prices stability and combat inflation, ECB applied restrictive interest rate policy resulting in increase of the reference interest rate of 25 bp for the first time after more than a year. However, unfavorable economic migrations in the third quarter of 2008 resulted in reduced demand for food and energy-generating products, making already decelerated economic growth even a bigger threat to economic stability than inflation pressures. In October, ECB along with five other large national banks implemented a joint measure of reference interest rate reduction. After the reference interest rate has been reduced by 50 bp, in November and December, ECB alter it twice by cutting it by 50, i.e. 75 bp. In the first part of 2009, ECB interest rate was corrected four more times, and in May 2009 it reached the 1% level. The Great Britain also faced problems at the mortgage market and low economic growth, therefore, during 2008, the Bank of England (BoE) reduced the reference interest rates five times, from 5.5% at the beginning of the year to 2% at the end of 2008 for the purpose of alleviation of turbulences at the financial market.

In order to regain shattered trust in the banking sector, the governments of many countries decided to make decisions to increase the amount of security deposits, while in several countries the unlimited warranty for savings deposits was assigned. ECOFIN, a body that brings together ministers of finances of EU member countries issued a proposal to increase minimum amount of securities to 50 thousand Euros, and this example was followed by several countries in the region such as Croatia and Serbia. It is planned to increase the security deposit amount for EU member states to the amount of 100 thousand Euros.

Turbulences at the markets of the Great economic powers affected the countries of the South East Europe as well. In these countries the economic crisis manifested through a lower economic growth rate, decreased real capital inflow, weakening in export activity, reduction of domestic consumption, and in the last quarter of 2008, even through considerable increase of unemployment.

BiH did not also remain immune to global financial crisis and its indirect consequences such as more difficult foreign financing and much more expensive financial resources made BiH banks to set more rigorous conditions for loan award, and to increase the interest rates to new placement, as well as to already awarded variable interest rate loans. Culmination of crisis at the world markets resulted in reduction of demand at the BiH capital market, causing the price of stocks to fall and the lowest level of turnover at the stock exchanges since 2004.

At the beginning of October 2008, publication of information related to losses and reduction in credit rating and the rating of the financial power, which is one of the mother bank of one of the most important banks in BiH banking system, as well as information on large decrease in value of the stock and other mother banks caused nervousness among BiH citizens, resulting in withdrawal of the deposits from daughter banks.

Central bank of BiH has undertaken all available measures subject to limited possibilities of the Currency Board. The activities undertaken by the CBBiH resulted in relatively satisfying level of liquidity during the crisis period. Within the period from October 2008 to May 2009, CBBiB changed mandatory reserve [1] rate several times in order to provide additional liquidity and support to their loan activities.

Although the House of Peoples of the BiH Parliament has adopted a Draft Law on Amendments to the Law on Security of Deposits in BiH Banks by which the amount of the security deposits has been increased from 7 500 BAM to 20 000 BAM, this measure has been implemented as of December 2008. By amendments to the Law, the categories of adequate deposits have not been changed, but deposits of physical entities are exclusively secured by increase of the security deposits amount.

Occurrences in the beginning of 2009, in BiH as in the whole world, confirmed the reasonability of pessimistic forecasts for this, but also for the next year, indicating that the global economic crisis is still not coming to an end. Unemployment increases, situation at the real estate market and fall of stock shares value have negative impact to consumption, financial institutions and economy in general, and a list of countries under recession gets longer.

2.1 Other global economy migrations

Apart from affecting other financial markets, the crisis from the American market of the second-grade mortgage loans reflected to actual economy sector, at first in the USA, and later in the developed countries in Europe. Unemployment increase, data on alteration of real estate prices, as well as increase of food price and energy-generating products caused a continuation of decrease in economic activities. Unemployment rate increased particularly in the USA and at the end of 2008 it was 7.2%, which is by 2.3 percentage points higher when compared to the beginning of the year, and in April it reached 8.9%.

Table 2: Unemployment rate within the period January 2008- April 2009 [1]

	2008												2009			
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV
USA	4.9	4.8	5.1	5.0	5.5	5.8	5.8	6.2	6.2	6.6	6.8	7.2	7.6	8.1	8.5	8.9
Euro zone	7.2	7.2	7.2	7.3	7.4	7.4	7.4	7.5	7.6	7.7	7.9	8.0	8.4	8.7	8.9	8.9
Japan	3.8	3.9	3.8	4.0	4.1	4.0	4.0	4.2	4.0	3.7	3.9	4.4	4.1	4.4	4.8	4.8
UK	5.0	5.2	5.2	5.0	5.4	5.7	5.7	5.8	6.0	6.2	6.3	6.5	6.8	7.1	7.2	7.5

2.2 Risks in BiH

General, global situation in the economy of BiH clearly indicates to deceleration of all economic activities. Naturally, global crisis did not pass by BiH. Although at the beginning it affected financial institutions, afterwards it spread to all economic aspects.

Some of the risks identified in IFS for 2007 arising from real economic sector were materialized in 2008, leading to deterioration of fiscal position of BiH. Deterioration of fiscal position of BiH is noticed at the expenditure as well as at the revenue side. Although 6.13% of indirect taxes more than in 2007 were collected, and the plan was exceeded for almost 2%, in the second half of 2008 descending trend was noticed in the field of payment, and in the last quarter lower payment than in the same period of 2007 was observed. Occurrences at the world market reflected to business performance of BiH companies and standard of its citizens causing reduced payment of public incomes. In particular, a significant decrease in purchase of permanent goods and goods of higher value, such as real estate and vehicles, of which purchase a considerable amount of VAT revenues is collected into the national treasury.

Decelerated VAT growth was to certain extent expected upon initial phase of its implementation, when it reached enormous growth. VAT returns contributed to a decline of VAT income rate which was, in the first three quarters, higher than 43.5% compared to the same period of the last year, and in the last quarter they exceeded its last year's value by 69%. Since October 2008, a decrease of import due to lower consumption has been observed which negatively affected the custom revenues that have been under significant influence of implementation of Stability and Accession Agreement (SAA) to EU since the other half of 2008.

Liberalization of trade in the EU has brought considerable decline in the customs revenues even in 2008, and implementation of SAA, by which customs obligations for goods imported from EU are almost completely removed as of January 2009, will additionally reduce customs revenues.

Financing of the current account deficit is a considerable risk resource. BiH has always had a considerable deficit at the current account, which was 3.68 billion BAM in 2008 (14.6% GDP).

Deterioration of BiH fiscal position is a result of previous decisions on social support, and increase in public administration wages and current government consumption in 2008. Data on average wages per sectors in 2008 indicate that the sectors for financial intermediation, public administration and defense; mandatory social insurance had the highest average wages, while the largest increase of wages had been observed in health and social care sector. (Even 42.9% if compared to 2007) stable

In 2008, Bosnia and Herzegovina has maintained its credit rating B2 with stable chances, assigned in May 2006 by the bond rating agency Moody's Investor Service. International agency for bond rating Standard & Poor's assigned BiH a bond rating B+ with stabile chances, which is by one level better rating than the one assigned by the Moody's Agency. In the Annual report on BiH credit rating published by the Standard & Poor's Agency in April 2009, it was specified that BiH has maintained its credit rating at the equal level as in December, which is a positive sign, especially in the context of global financial crisis, when credit ratings of the governments of many countries were reduced.

Variation of oil and food price at the world markets reflected to prices in BiH. Growth of general level of prices, measured by the consumer price index, was obvious during the first eight months of 2008, while in the last two months, as well as in the first quarter of 2009, the index has recorded a slight decline. Average inflation in 2008 was 7.4% and, compared to the last year, it has been higher by 5.9 percentage points. If observed per sectors according to consumption purpose, in December 2008, and compared to the same month of the preceding year,

the highest increase in prices was in the categories: housing, water, electric power, gas and other energy-generating products 8.6%, restaurants and hotels 7.2%, food and non-alcoholic beverages 6% and communications 5.9%. There was a reduction in prices in the following categories: clothes and footwear, transport and education.

A trend of unemployment increase in BiH has been present since October 2008, and until March 2009, a number of unemployed increased by 15.818, i.e. 3.3%. In the same period, a number of employed has been reduced in business activities of other social and personal catering services, real estate performance, renting and business services, processing industry. Although official information does not include civil engineering business into one of the most endangered business sectors according to decrease of employed, there is a presumption that the highest number of employed who are not registered in official records are among fired workers from this business sector, and that in the next period a considerable unemployment rate might be expected in this field. Firing of workers is not a problem for civil engineering companies throughout BiH, but affects BiH citizens employed abroad, thus, reducing the foreign allocations. BiH civil engineering companies suffer the consequences of world economic crisis, at the domestic as well as at the foreign market. When we observe the engagement of BiH civil engineering companies at the foreign market, a reduced number of newly ordered civil engineering services has been noticed. The value of new orders was reduced by 27% during the fourth quarter of 2007, and the value of the provided services within this period is reduced by 17.4%.

At the end of 2008 and beginning of 2009, real estate market in BiH was almost frozen. Demand for real estate was drastically declined due to expectation of reduction in prices, because of the influences of the world economic crisis and overinflated real estate prices during the last two years. A reason for reduced demand and realization of purchase and selling of the real estate is to be searched in increase of active interest rates, as well as in other stricter conditions for loan award. Reduction of real estate prices was noticed in the second part of 2008.

3. CONCLUSION

Financial crisis engendered its negative effects to real economy sector of BiH through: declining of requirements for acquisition of capital (higher interest rates and shorter repayment periods), reduced demand at domestic and export markets and more strict competitiveness at regional and European market. This seriously endangers current working positions, reduces new employment perspectives and threatens to deteriorate the social situation in the country. Decline of GDP growth rate to 3.5-4% in 2009 and lower industrial production growth rates to 4-5% are a real threat. Personal consumption might decline up to 10% and the inflow from foreign direct investments might be cut to half.

Threats to real sector have highlighted sector dimension. In the first phase, the sectors with the highest level of globalization and regionalization are mostly exposed to negative effects, but in the second phase other sectors are exposed to negative effects as well. Domestic market oriented sectors will suffer reduction depending on elasticity of demand to income changes, indicating that the food industry sector will have the most stable demand. On the contrary, the civil engineering and construction materials industry might be affected most.

Measures that have to be undertaken in such situation are related to role of the government, company and science. Governments must, as within their maximum power, try to neutralize deterioration of macroeconomic situation and business environment, and the companies must restructure their production and increase efficiency and productivity as much as possible in order to maintain their market position under more difficult conditions.

Within the current period, none or weak activities of the governments indicate that they are not aware of the threats that the crisis might cause to economy business. Governments should be dedicated to provide responses how to confront direct and indirect effects of the crisis.

Companies could not expect from domestic government the level of support which their competitors at regional and European market may enjoy. Apart from reduction of costs, they should be dedicated to restructuring of production and market by introduction of crisis management where short-term profitability objectives might be sacrificed.

REFERENCES

- [1] CBBiH Publications.
- [2] McClelland, D. Van Nostrand Reinhold, Princeton, NJ, *The Achieving Society*, 1961.
- [3] Senić, R., Lukić, M. S., *Crisis management I*, Pan European University Apeiron, Banja Luka, 2008.
- [4] Senić, R., Lukić, M. S., *Crisis management II*, Pan European University Apeiron, Banja Luka, 2008.
- [5] World Economic Outlook, IMF, April 2009.

PROTECTION OF SMALL (IN MINORITY) SHAREHOLDERS

Vladan Stankovic

University of Business Academy, Faculty for Education of the Executives, Novi Sad, SERBIA,
e-mail: vladan.stankovic@fbsp.edu.rs

Summary: Shareholding is the oldest and the most important way of commercial organizations. Therefore, it required special attention in the legal framework. The most important goal was to create a highly profitable economy on one side, while protecting large and small shareholders, creditors and employees. Further it is important to provide mechanisms of protection for small shareholders, because that is the only way to ensure that the economic side of shareholding remains strong. This will motivate investors to participate in shareholdings, will increase money supply and will attract broad range of investments. Decisions in a shareholding are brought by simple majority of the shareholding votes (principle of majority). In such situations it is possible that this principle will leave small (and in disagreement) shareholders' interests unprotected. The concept of protection of small shareholders should be based on the principle of absolute majority, as the basis of shareholding, and principles of protection of minority. Investors should in good faith invest their capital in the economy where they will be protected from misuse or misappropriation of their assets by senior executives, board members or large shareholders. This will further strengthen and promote shareholding as the basic and most important forms of commercial entities.

Keywords: small shareholders, protection, shareholdings, equality

1. INTRODUCTION

The principle of decision making in shareholding is based on the principle of majority, since usually there is a large number of shareholders in a single shareholding. Therefore, shareholders in majority have the key role in final decision making. The decisions are then obligatory for all small and in minority shareholders and all non-present shareholders. So there is a possibility of misuse of assets due to the concentration of power. Even when there is no misuse of assets or power, shareholders in majority would use their power in the way most beneficial for them, election of new board members, dividends, strategic decisions etc., so it is important to protect small shareholders in such situations. Most of the countries have, in their legal systems, the more or less the same form of the idea of protection on small shareholders. The existence of the institutes for small shareholders protection not only aims at their protection but it also represents the mechanism for the accumulation of capital through the issuing of shares and unnecessary borrowing. There is a line of mechanisms for the protection of small shareholders, and we will mention several of them.

2. INSTITUTES OF PROTECTION OF SMALL SHAREHOLDERS

2.1. THE PROTECTION OF SMALL SHAREHOLDERS IN REGARD TO CALLING FOR AGM AND ITS AGENDA

The legislation of commercially developed economies, as well as of those in transition, provide for the right small shareholders to call for exceptional AGM, in case that it was not done by the authorised board members. Individual legal systems only differ in the amount of the capital required to call for AGM. In some legislations that amount is 5% or 20%, while the dominant systems are those with the amount of 10% capital. Serbian legislation enables for a call of an exceptional AGM by the shareholders holding at least 10% of shares. [1] The Board is obliged to grant or deny the call for the AGM within a legally set time limit. If the AGM is not scheduled, the small shareholder is entitled to appeal with the court that can order for exceptional AGM to be

held. The court has to bring this decision within 48 hours. In the English legislation the obligation to order an AGM to be held is with the authorised Board. Serbian legislation does not have a particular act on the right of small shareholder to call for the regular AGM, but it is understood from the concept of the legislation that every shareholder, even the small one, can appeal with the court to order for the AGM to be held, in case it has not been done within the legal time limit. In Serbian legislation small shareholders are those shareholders who are in minority by the capital and the number of votes; it is also understood that the minority is represented by those shareholders who voted against a decision that was adopted by the majority of votes at the AGM. [2] In Serbian legislation these shareholders are also known as shareholders 'not in unison'. A small shareholder and shareholders who hold 10% of shares with the right to vote for the members of the Board, can put two topics on the agenda. This right does not extend to the holders of preferential shares. Some legislations provide for a smaller census to put a topic on the agenda, such as French, English, Irish, Dutch. If the board does accept and put the on the agenda the topic which is suggested by the shareholders who are legally entitled, the small shareholder can appeal with the court, which in turn has to order that the topic is put on the agenda within a certain time limit.

2.2. THE SMALL SHAREHOLDERS' RIGHT TO INVESTIGATION AND LEGAL PROTECTION

Small shareholders performing the internal audit in the role of audit committee have rudimentary rights. The same are the rights of the internal audit institutions controlling the legality of the shareholding's business conduct. Opposite to this, the mechanisms and institutions of the external audit are very developed, especially in the anglosaxon law, which also influences the rights of the small shareholders in that area. [3] In Serbian law, small shareholders can demand at the AGM that it orders for the audit committee, or the board of auditors, or the internal auditor to examine the legality of the Board's work. External audit and its mechanism are far more developed than internal audit. Regarding the rights of small shareholders to take part in the external control of the legality of work of the shareholding bodies, these are the available mechanism to do so: requirement for the suspension of the auditor named at the AGM, and designation of a new auditor through the court in charge. The special institute of the external audit is the establishment of the professional expert for the majority. Serbian law says that at the request of small shareholders who hold at least 20% of the basic shareholding capital, the AGM can designate a professional expert to view financial statements and books of the shareholding for the previous three years. If the AGM does not reach a decision about the professional expert, then the small shareholders can ask the court to appoint one or more professional experts, if they can prove that there has been a breach of law or of the shareholding memorandum of association. Professional expert's report contains particularly defined condition of the shareholding and the suggested measures that are to be undertaken. That report is sent to the Board and the audit committee for the opinion. In case that it is confirmed that there have been no irregularities on the work of the shareholding, then the shareholding is entitled to claim the damages, if the shareholders have ordered additional auditing due to their recklessness or lack of good faith. Legal protection of small shareholders exists in our legislation, especially in the case open shareholding and those listed on the market. Namely, small shareholders are entitled to start a legal action before the The Treasury Commission. After the proceedings, the Commission can decide to exclude or suspend the shareholding for the list on the market, to exclude it from the Treasury register, to annul the shares issued, or to launch a legal action against it before the court in charge. Special attention to this is made in the legislations of France, Ireland, and Great Britain.

2.3. THE RIGHT OF THE SMALL SHAREHOLDERS TO COURT PROTECTION

Court protection for small shareholders purports the right to start individual or derivative legal action. Namely, if some of the rights are denied to the shareholder, or he suffers a loss due to a decision made by a shareholding body (eg. the right to dividend, the right of priority when buying shares when the base capital is increased, the right to vote at AGM, the right to view the books), then he has the right to start a legal action before the court in order to protect his own rights that are guaranteed by the shares. Opposite to this, a shareholder can claim the damages by starting an individual legal action on behalf of the shareholding in case of the violation of duty performed by certain members of the Board of management, or of the audit committee.[4] Serbian law purports that derivative legal action can be made in case that a shareholder(s) holds at least 5% of the base capital, that it was previously requested from the shareholding to start the legal action, but that the request was denied or the action was not taken within 30 days from the date the request was made. Collective legal action (which does not exist as such in Serbian legislation) is the product of the court practice in our country. Namely, opposite to individual legal action, collective legal action implements the rights of all shareholders who are in the same or similar legal position as is the person who has started the legal action. [5] By starting the legal action the rights of the shareholders with the same or similar legal position are protected automatically.

2.4. THE RIGHT OF THE SHAREHOLDERS TO BE ELECTED FOR SHAREHOLDING BODIES

The election of Board members is not directly regulated. During the election of the Board members, small shareholders can protect their interests through the 'cumulative' voting system. For the open shareholdings, Serbian law purports that voting for board members is done in this way: every shareholder with the right to vote multiplies the number of his votes with the number of candidates that are being voted for; he can also give all the votes to one candidate, or he can distribute them to all the candidates without any limit.

Cumulative voting system aims at the increased participation of the minority in the decisions regarding the election of the Board members. The institute of independent Board members maintains the protection of small shareholders, as well, which is also found in Serbian law.

2.5. THE RIGHT OF SMALL SHAREHOLDERS TO SELL THEIR SHARES TO THE SHAREHOLDING - THE RIGHT TO LEAVE THE SHAREHOLDING

A shareholder who is not satisfied with the decisions made at the AGM, and who thinks that those decisions are not in his best interest or in the interest of the shareholding, has the right to sell his shares and thus leave the shareholding. This right is easily exercised with the open shareholding that are listed on the market – all he has to do is sell his shares on the market, though it can be difficult sometimes. The situation is a bit complicated and less favourable for the shareholder of a closed shareholding or the holder of the preferential shares, because they are not listed on the market, and even if they are, the value of share is low. Therefore, all modern systems (and Serbian system, too) recognise the institute of the right of a shareholder to leave the shareholding by selling his shares to the shareholding itself; i.e. it purports the obligation of the shareholding to buy the shares of the shareholder who disagrees with the decisions made at the AGM. Serbian law purports that the shareholder can ask that the shareholding pays the market price of his shares. This can be done if the shareholder disagrees with the decisions regarding the changes made in the memorandum of association, because those changes unfavourably influence his rights. The shareholder has the right to vote about decisions regarding the following topics: changes in the memorandum of association; restructuring in the form of status changes; restructuring in the legal form; projects of acquiring and managing of high worth assets. On all these and other issues the shareholder has the right to vote, to disagree on, and to decide to leave the shareholding. It is important to mention that the shareholder who disagrees with the decision, and who has the right to buy off shares, cannot contest the decision made at the AGM, unless the decision is fraudulent, illegal, or in breach with the rules of business procedure. The other important issue regarding this institute is the price of the shares that the shareholding is buying off the disagreeing shareholder. If this issue remains unsolved, there is a possibility of malversation done by the majority. Therefore, it is important to solve this issue if this institute is to have its practical value. The only way to protect the interest of the minority is to introduce Acts within the legislation which would define the way of establishing the value of such shares. Serbian law prescribes that it is the market value. Our law defines the market value as the value which is regularly published on the market in the period immediately preceding the day the value is established, where the period cannot be shorter than three or longer than six months. In case that the shares are not being traded on the regular basis or that there is no suitable market, then the market value of shares is established based on the value of the estimated shareholding capital using the defined valuation methods. [6] The market value for shares that do not have a suitable market is established by the Board. Also, memorandum of association can define that the market value of shares is established by an authorised valuer or an expert who is appointed by the court.

2.6. RIGHTS OF SMALL SHAREHOLDERS IN MANDATORY BUY OFF OF SHARES

In the shareholding where a small shareholder holds 10% of shares in comparison to big shareholders with 90% of shares, the position of small shareholder is unfavourable in comparison to shareholdings where there are no major shareholders who would hold a such high percentage of shares. In a different scenario, a shareholder who holds only 10% of shares can have decisive influence and all due to the dispersion of shares ownership – he can call for AGM where they would discuss irregularities in shareholding actions and other issues. [7] In case that a person acquires 90% of shares of a shareholding, then the position of a small shareholder is unfavourable and he cannot influence the decisionmaking process in the shareholding. National legislation should purport a mechanism that would make the major shareholder obliged to buy the shares of the small shareholder for a certain price. Serbian law says that the shareholder who holds 95% of shares is obliged to buy off the shares of the rest of the shareholders if they ask him to do so. Serbian law also defines the price of the shares that are to be bought off, and that is the price of the last share he himself paid when he became the owner of the 95% of shares. Serbian law defines the institute of mandatory sale in the process of buying off the shares in the public tender. The law says that the person who buys off at least 95% of shares of a shareholding is entitled to buy off the shares of the rest of the shareholders who did not accept the offer given for their shares, and under the terms

of the public tender. This right can be exercised within 180 days from the date of expiry of the public tender. The deadline is preclusive. The law further says that the shareholder who acquires 95% of shares at the public tender should write formal request to the rest of the shareholders asking them to sell him their shares. If within the period of 30 days the small shareholder does not reply and accept the offer for mandatory buy off, then the major shareholder writes to the shareholding to let them know about the buy off of the shares, and he pays for the shares to the shareholding. After the receipt of the letter, the shareholding is obliged to inform the Central register of Treasury about it. The imbursement to the shareholding actually belongs to the small shareholders. This manner of acquiring shares in the process of buying of in the public tender makes it possible for the big shareholder to become the owner of all the shares, while at the same time it protects the small shareholders by establishing the price of shares that the big shareholder is obliged to pay. The disagreeing shareholder is entitled to start legal action before the court. The court is obliged to prohibit the buy off of shares in the public tender within the set time limit. Although it mentions the rights of small shareholders, the mandatory sale is basically the right of the big shareholder to buy off the rest of the shares without the consent of their owners. [8] There is a tendency today that this right is not only tied to the institute of acquiring of shareholdings through the public tender, but to become the right of big shareholders in general. On the other hand it should be extended to the rest of the 10% of actions of the disagreeing shareholders.

2.7. THE RIGHT OF THE SHAREHOLDER TO SUGGEST LIQUIDATION

As the means of last resort, small shareholders are entitled to start liquidation proceedings if they can prove that there are justifiable reasons for that. Serbian law says that at the request of small shareholders, who own at least 20% of shares in the shareholding, the court can order the liquidation of the shareholding. The reasons for starting the legal action are the following: the members of the board cannot run the business of the shareholding and the shareholders cannot remove the obstruction; if the shareholders are being blocked and if they cannot choose the Board members at two AGMs; if the Board members make fraudulent and illegal actions and do not behave in the manner of good faith towards the shareholders; if the assets of the shareholding are diminishing and are spent recklessly. Serbian law defines conditions and actions required for exercising of this right. The law entitles the court to set the limit of one year for the thing in the shareholding to settle, if the court thinks that the obstructions are redeemable. If the court finds that obstruction is not redeemable and if the one year limit expires, then the liquidation process begins. When examining the basis for starting the liquidation, will not take into consideration the request of small shareholders, if it is possible to apply some other measures (e.g. buying off of the shares by the disagreeing shareholders or appointing a temporary representative of the shareholding in case of the obstruction to the election of the Board members. This institute of the protection of small shareholders is not widely adopted in the comparative legislature. The majority of the legal systems either regulates this institute or does so in a very rudimentary way. This rule is accepted as an exception in the legislations in relation to the general or specific conditions of liquidation. It is understandable in the light of the fact that the shareholders have a line of measures to protect their interest, that are more radical and should precede this one. This institute, as the last resort of protection of rights of small shareholders, should be regulated by the imperative legal acts. The role of the court, that is to investigate the existence of attempts to use other institutes of protection, is paramount. In that sense, it is important to establish the grading of small shareholders' rights. The shareholders can exercise this rights only after all the other previous attempts to use different institutes of protection have failed.

2.8. THE RIGHT OF ESTABLISHING WHO IS THE REAL SHAREHOLDER

The real shareholder can be a trustee or a nominee. Usually the company does not know or does not have the right to know who the real shareholder is, although the authorities need to know that. [11] In majority of listed shareholdings the shares are listed in the name of the nominee, i.e. brokers hold the shares in their name and on the behalf of legal body. For the sake of control transparency and the protection of rights of all shareholders, shareholding companies are entitled to establish the identity of the shareholders, especially of the nominees. This right the company can exercise on the request of shareholders who hold at least 10% of basic capital shares with the right to vote. The same right has the Treasury Commission which can exercise it at its own initiative or at the request of shareholders who hold at least 10% of basic capital shares, either directly or by appointing an expert. This exists only as a possibility. Sometimes it is very hard to establish the identity of the real user, because the range and sanctions of this institute are not sufficiently efficient or precise. Capital gain report is used to exercise this right. Shareholding company is obliged to inform the Treasury about the capital gain. [12] The main purpose of this institute is the prevention of law evasion by acquiring of qualified majority (66%-75%), majority or significant capital gain (50%, 20%) in secret buying, as well as the establishing of the true identity of the shareholder (Treasury register lists the names of nominees). In case of concealing the interest in shares the sanctions are: no dividend, inability to transfer shares, etc.

3. CONCLUSION

Finally we can say that the mechanisms of protection of rights of small shareholders are fairly well established both in theory and in practice in almost all developed and commercially oriented economies. The protection of small shareholders' rights should not lead to the obstruction of the decision making process within the shareholding. When creating these institutes the balance should be sought in the affirmation of the basic principle of democracy, the principle of majority. On one side, we should prevent its misuse, and on the other we should affirm small shareholders and establish the mechanisms for their protection through different institutes. A shareholder should in good faith publish his capital in the market. He should be able to do so in the environment in which he will feel protected from misuse and fraud from the Board of management of the shareholders who manage the company. Furthermore, it is necessary to consistently execute the legally defined institutes in practice of everyday dealings so that they would gain its full form. It is a fact that the market of shares is becoming more unified and that the economic law must become more harmonized in order for them to contribute to the development of the market. The higher degree of unification is visible at the EU level, as well as the development of the institutes based on the anglosaxon law, which is the most advanced legislature in this area.

REFERENCES

- [1] *Zakon o privrednim društvima RS* „Sl. Glasnik RS” br. 125/2004.član 277.
- [2] D. Milenović: *Subjekti privrednog prava*. Niš: Pravni fakultet, Centar za publikacije, 2006. str.336 ISBN 86-7148-059-3.
- [3] M.Vasiljević: *Kompanijsko pravo*. Beograd: Pravni fakultet Univerzita u Beogradu, Centar za publikacije, 2005. str. 294 ISBN 86-7630-025-9.
- [4] *Zakon o privrednim društvima RS* „Sl. Glasnik RS” br. 125/2004.član 40.
- [5] Slijepčević D.: *Indivudalne i derivativne tužbe po Zakonu o privrednim društvima*. Beograd: Intermex, Pravni informator 10/2005 ISSN 1450-7137.
- [6] *Zakon o privrednim društvima RS* „Sl. Glasnik RS” br. 125/2004.član 445.
- [7] Stefanović Z.: *Kompanijsko pravo*. Beograd: Pravni fakultet Univerziteta Union u Beogradu, 2009. str. 421 ISBN 978-86-519-0082-5.
- [8] Radenković-Jocić D.: *Privredno pravo*. Niš: SKC, 2006, str. 500-550 ISBN 86-7757-122-1.
- [9] M.Vasiljević: *Kompanijsko pravo*. Beograd: Pravni fakultet Univerzita u Beogradu, Centar za publikacije, 2005. str. 309 ISBN 86-7630-025-9.
- [10] *Zakon o privrednim društvima RS* „Sl. Glasnik RS” br. 125/2004.član 277.
- [11] M.Vasiljević: *Kompanijsko pravo*. Beograd: Pravni fakultet Univerzita u Beogradu, Centar za publikacije, 2005. 296 ISBN 86-7630-025-9.
- [12] M.Vasiljević: *Kompanijsko pravo*. Beograd: Pravni fakultet Univerzita u Beogradu, Centar za publikacije, 2005. str. 309 ISBN 86-7630-025-9.

PRUDENTIAL CONTROL AS INSTRUMENT IN RESTRAINING WORLD OF ECONOMIC CRISIS

Vladimir Stojanovic¹, Svetlana Ivankovic², Miodrag Jelenkovic²

¹ Panevropski Univerzitet Apeiron, Banja Luka, BOSNIA-HERZEGOVINA

² Faculty for Education of the Executives, Novi Sad, SERBIA

***Summary:** The current world economic crisis requires a determination of the causes of its emergence as well as review the existing mechanisms of international control and audit in the banking sector. In this paper we put special emphasis on the importance of prudential control that has an important role in preventing, limit or termination of losses incurred due to poor management of the bank by its management. Prudential regulation and control play a role essential for the improvement of financial resources that banks need to improve market functioning, establish policies and mechanisms to enable timely detection of difficulties in the business of banks in order to avoid the financial system's chain as well as bankruptcy. Analyzing prudential control and supervision of banking system we consider the importance of international harmonization of rules in the business of banks and other financial institutions, and organizational carrier of international coordination prudential rules for banks is the Basel Committee on Banking Supervision.*

***Key words:** prudential control, regulation, bank management.*

1. INTRODUCTION

In the banking sector there are processes of deregulation as well as strong market competition, that create increased pressure on bank management, that fight for survival in the financial markets and try to achieve the best possible performance. According to that, strengthening of market competition in the sphere of banking and finance are followed by the establishment of adequate control that works towards reducing the risk of banks insolvency.

Banks are directly managed by bank managers with the general control of the ownership structure. However, in the market banking systems, there are state control institutions that implement prudential (precautionary) regulation and supervision bank activity.

"Regulation of banks consists in the establishment of certain rules related primarily to minimizing of banking risks and the preservation of bank solvency. Implementation of the above rules and precautionary supervision of banks in each country are carried out by appropriate government institutions for prudential supervision. "

Providing the present scenario of mandatory rescue major banks by the state that it is not without foundation, counter balance was formed in regard to potentially hazard attitude of a number of banks. It has been created precaution (prudential) controls of banks as well as operational monitoring by the special state institution. In that case banks still remain holders of all bankers' risks, with the obligation to comply with prudential rules. These rules are designed to prevent banks to get into the excessive risks, particularly exposed risks, because it leads to an increased probability of extruding the crisis of individual banks with the opportunity to turn this crisis into a crisis of the banking system throughout the country.

2. PRUDENTIAL REGULATION

Prudential regulation represents establishing requirements and limits regarding to banks activities in order to ensure the safety and reliability of the banking sector. As such regulation, prudential regulation has a crucial role

in improving the financial strength of banks, enhances and improves market functioning by establishing basic rules of the game while ensuring their implementation.

To establish prudential regulation and control over the banks dealing, there are several reasons:

- real possibility of systemic problems that are related to external factors,
- removal of market deficiencies,
- necessity of tracking banks activities
- request for customers trust in bank's services
- the possibility of moral hazard that impose an obligation for state to create a secure banking sector (introduction institution guarantor in the last instance, deposit insurance and compensation of small investors)
- customer requirements for regulation, certain level of safety and lower expenses while doing business transactions.

Prudential control is implementation form by state regulation of financial markets.

This prudential control of banks is consistent with the rules of the game which is act upon strong market competition, whereupon banks have increased risks. Without prudential control and supervision of banks and other financial institutions, deregulation in the field of banking and finance could lead to a systemic banking and financial crisis. In other words, it creates a new balance between the policies of encouraging competition, protection of bank depositors and maintains the system stability.

Using the specific forms of market regulation of bank there is the possibility that some banks intentionally enter into moral hazard, i.e. in jobs with high risks, with the belief that in case of failure they would be rescued by state through its institutions. To that effect, slogan "*too big to fail*" has been formulated, which means that large and even medium-sized banks believe that they have to be rescued by the state institutions (*bail-out*). Some critics contend that policy of U.S. government is wrong, and counterproductive. They believe that large banks should have the same treatment as other banks, the bank who disappear from the market scene because of insolvency. By 1950, the federal regulators of U.S. banks are being consisted of two options for resolving bank insolvency: first option was the closure with the liquidation of assets and payment for insured deposits, and another option was the sale which was accompanied by the appropriate stimulatory measures for the new owner.

The third choice was available by the Federal Deposit Insurance Act since 1950. which provided support, i.e. assisting in strengthening institutions (banks) through loans or direct financial resources in order to recover.

Foremost, the stability of the banking system is protected by the instruments of economic regulation. Privileged position of banks as financial intermediaries are based on the instruments of economic regulation, banks contains within two inherent risks:

- the risk that bank management will fall into moral temptation and cause destabilization of the banking sector by business;
- the risk that all the costs of economic regulation are at the expense of the real sector.

Realization of the basic goal prudential regulation and supervision of banks - maintaining the role of the banking system as a public good, and thus maximize social welfare, requires the establishment of oversight in relation to inherent difference in the system of economic regulation. Banks manage to carry the costs of its operations and increase the subvention by using the contradicting goals of their business policies, as concerns, achieve liquidity and profitability. Accomplishment of higher profits, bank is achieved by investing in risky activities, while decrease available liquid assets. Ensuring a stable banking system is in the interest of the state.

Achieving this goal can be achieved by establishing the limits to which each bank may perform the transformation of illiquidity in profitability, as well as its obligation to bear the losses as a result of negligence policy.

Banks must comply with prudential requirements of the following:

1. maintaining minimum liquidity
2. limit credit risk,
3. limiting concentration risk,
4. limitation of market risks,
5. limiting operational risks, and
6. ensure an adequate level of capital.

In the process of deregulation, which is oriented to the reduction of administrative limitations, is conference fee which includes connecting banks to the financial market, and internationalization, which means the reduction or abolishment of bank restrictions at the international level of control regulation by banking system.

Technological innovations that have found wide application in modern banking, have led to increased competitiveness in the financial markets and therefore, put the bank management into adaptation to the new changes that bring with them greater risks for the bank activity.

Bank management has a main role in ensuring safety, efficiency and profitability of banks. But the performance of banking management is under the control of the capital market and the supervisory institutions of the state.

The role of market mechanism and market discipline are primarily consists in the fact that the performance of each bank's estimate of the financial market. This is reflected in the changing risk premium in interest rates paid by banks on the bonds that they emit in the financial markets. Change the market rating of the bank is reflected in the changing market price of its shares, because these changes reflect the expectations of market participants regarding the future rate of return on equity of the respective banks.

If a bank stock prices fall, its market rating is reduced and thus hinders the possibility of placement of new series of equity capital to support further expansion of bank credit.

If a bank's stocks price fall, compared to the index of stocks of all banks in the system, the chance that other banks will take over from the owner, the control packet of stocks grows.

Therefore, market discipline has its own dimension of information in the form of price movements of stocks and bank bond, but also the dimension of pressure on management and ownership structure to perform a positive adjustment, because otherwise there may be a bank takeover by another bank or even to the liquidation of banks.

3. BASEL COMMITTEE FOR BANKING SUPERVISION

In the context of internationalization of financial institutions activities, the international rules harmonization in the banks business and other financial institutions are necessary. Organizational holder for international coordination of prudential rules for banks is the Basel Committee on Banking Supervision (Basel Committee on Banking Supervision). Basel Committee for Banking Supervision (BCBS) is a committee of organ supervisory in front of all banks who have established central bank governors from the Group of ten countries 1975.

The Committee is composed of high representatives of banking supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, Netherlands, Sweden, Switzerland, UK, USA, since 2001, and Spain. They usually meet at the Bank for International Settlements in Basel (BIS), where is permanent Secretariat. BIS is a bank owned by the central bank which provides services and its facilities are often used for international meetings for financial officials. However, in addition to host meetings and providing administrative support through the work of the Secretariat, BIS does not take part in the process of determining the policy of the Basel Committee.

The Basel Committee brings terms of prudential banks control on the basis of long consultations with a number of large banks, and central bank officials from a number of countries.

Prudential regulations issued by the Basel Committee are not automatically legally binding for the banking institutions. These regulations become legally binding only when they are accepted by the Assembly in the countries. It should be noted that the Basel rules of prudential supervision has accepted over 100 countries. If the Basel rules about solid bank activity are not accepted, there is presumed that banking in some countries haven't got satisfactory credibility. When the country accepts the Basel regulatory rules, they carried them operational by the banks in its territory by the national supervisory institutions.

The first key document of the Basel Committee on statutory minimum of banks capital has been passed in July 1988th and related to the regulation and supervision of credit risk (Basel I). This document of the Basel Committee has been prescribed a unique and centralized system of determining the amount of credit risk. Then, in January 1996., the amendment who relates to the regulation of the market risk of banks was accepted. The second document is oriented to the dual system, where one is centralized, while the other is based on internal rating systems of banks themselves.

The third key document of the Basel Committee has been accepted in June 2004. and it is mainly related to the regulation of credit risk, where the decision about the parallel existence of centralized systems was accepted as well as internal rating systems of banks, which have enough sufficient analytical capacity for that. he third key document of the Basel Committee is known as Basel II.

In July 2005. the Basel-II addition was accomplished from the point of sanction risk guarantees, in order to the end of 2006. was finally become effective, and the possibility for later access to these rules have been left for other countries. Move implementation planned for 2007. year was necessary because of needed time for:

- Preparation of regulations
- Banks and supervisors preparation
- Data series development

The agreement will be upgraded and after the implementation of Basel II. It is necessary to keep abreast of new market developments and monitor progress in the practice of capital management. Capital Group is responsible for reviewing the essential changes of the new agreement and its interpretation, and group for the implementation of the Agreement is responsible for the information exchange between national supervisors about the difficulties of practical implementation of Basel II and the strategies they used in solving these issues. This group works closely with the Capital Group.

Basel Committee for Banking Supervision was, in July 1988, published the first agreement about the capital, known as Basel I.

The main reason for bringing the Basel agreement about capital, was concerns by Governors of central banks that the capital of the world's largest banks become "dangerous" after a low constant erosion mainly caused by increasing competition.

Two main objectives of the Agreement were to provide an adequate level of capital in the international banking system and to create a "flat playground" in terms of competition, so that banks are no longer able to increase the volume of business without adequate capital support.

These two goals are achieved. Agreement is accepted in more than 100 countries and became the "Holy Scriptures" for all bankers around the world.

In time the financial markets, banking, risk management practices, and access control changed significantly. There was more and more reasons for Basel I revision. Required request for capital was in conflict with increasingly sophisticated internal measures of economic capital. Linear approach to billing a minimum capital of 8% for the claims of the corporate sector, gave bankers an incentive to move assets of high quality from balance, cutting the average quality of bank loan portfolios.

The next reason is that the Agreement Act from 1988, did not respect enough techniques of credit risk mitigation, such as collateral and guarantees. For these reasons, in June 1999 the Basel Committee has decided to publish draft amendment for Agreement of 1988 named New Basel agreement about capital (Basel II). The reason for the passing of a new agreement was needed to establish greater flexibility and sensitivity for risk. Basel II aims to assess capital adequacy link closer with the key elements of banking risks and to provide incentives to banks for improving their ability to measure and manage risk.

4. THREE PILLARS OF BASEL 2

The current document of Basel Committee about prudential control and supervision of banks is consisted of three pillars. There was only one option for measuring the corresponding capital in Agreement Act from 1988. Some banks could measure market risks with their own systems only with the amendment to the Agreement from 1996, which refers to the measurement of the market risk. In terms of determining the level of capital, Basel II offers a wider range of approaches - from simple to higher methodology - for measuring credit and operational risk.

Basel II proposes three major innovations that are designed with the aim through New agreement for establishing on greater sensitivity to risk.

The first relates to the amendment of the existing quantitative standards with two additional "pillars" that are related to supervisory control (assessment and control) and market discipline. Another innovation implies that banks with higher capacity for risk management receive their freedom to use their own internal systems for assessing credit risk, known as the "internal rating", instead of standardized weights for each type of risk assets, as well as granting permission to banks for using graduation that perform external rating agencies. The third innovation relates to capital charges for operational risk.

Pillars reinforce each other and together should contribute to safety and health of the financial system. It can be said that the Pillar 2 and Pillar 3 provide the implementation of Pillar 1.

Since Basel I was covered only the minimum capital requirements (Pillar 1), Basel II framework is now based on three complementary pillars, named as:

- Pillar 1 - minimum capital requirements,
- Pillar 2 - Process of supervisor control, and
- Pillar 3 - Market discipline.

In order to effectively support financial stability, the new framework requires smooth interaction between all three pillars.

Basel II capital framework, which he defines, remains as the main priority for the Basel Committee, in its domain to support the effectiveness, as well as in the domain of its application. Basel II is an appropriate tool for banks and banking supervisors that provide to them better estimates and includes of a growing set of complex risks. Basel II has recognized the need of banks management to improve their governance, management, measuring and aggregating risk on level of the whole bank.

Considering, and starting from the current global financial crisis, the Committee is in early 2009, revised some provisions of Basel II and offered a series of improvements to enhance the existing framework.

Suggestions are related to the following documents:

1. Basel II framework revision for market risk;
2. 2. Instructions for calculating capital for the additional risk in the trading book, whose implementation should be from 2010. year; and
3. The proposed improvement of Basel II framework, which refers to strengthening the three pillars of Basel II, and whose implementation should be by 2009. year.

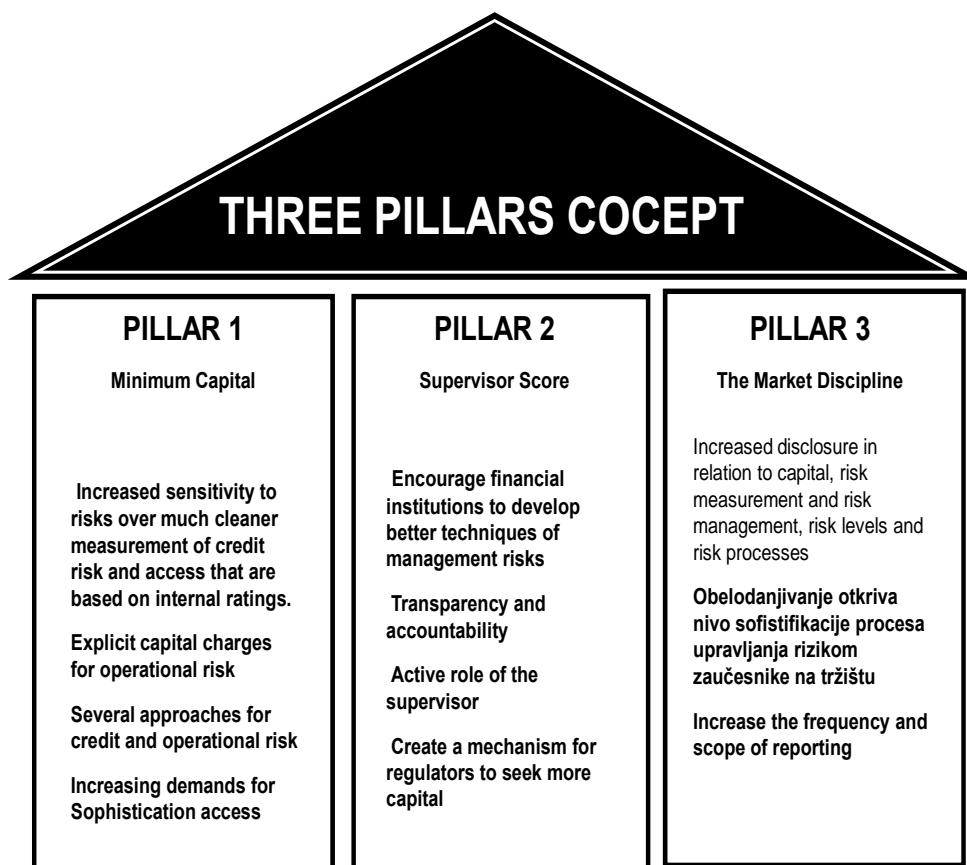


Figure 1: The concept of Basel II

Source: Basle Committee on Banking Supervision: International Convergence of Capital Measurement and Capital Standards A Revised Framework. Basel, Jun 2004.

The first pillar regulates the establishment of minimum statutory capital of banks, the second column refers to the banks supervision, and the third pillar treats bank market discipline. The focus of prudential control is on the first pillar, but it is pointed out that the first pillar must be enhanced with the second and third pillar, so that all three pillars make a complete whole prudential regulation.

The regulation of banking, refers to the broader context of modern banking services, in addition to traditional activities (deposits, loans, payment) includes additional activities of banks (credit cards, management portfolio, investment consulting, financial leasing, etc.). However, the activity of banks, insurance activities are not included.

The first column refers to the statutory regulation of minimum capital of banks as cover for credit, market and operational risks of banks.

Basel II provides three basic models of quantifying exposure to risk (banks) in the capital adequacy (which differ in their sensitivity to the risks and level of sophistication:

1. Approach base indicator indicators (BIA Basic Indicator Approach)
2. Standardized approach (TSA-The Standardized Approach)-basic and alternative, and
3. Advanced measurement approach (AMA-Advanced Measurement Approach)-basic (internal measurement model of distribution loss) and advanced access (Scoreboard method).

General opinion is that banks must hold at least 8 percent of capital in relation to risk weighted assets. Namely, for statutory regulation of the capital proceeds from the nominal amount of assets who are corrected by factors risks, to obtain risk weighted assets. The system of minimum banks capital is intended to ensure solvency of banks about the risks from balance and off-balance positions.

Supervisory institutions in the countries can set rates and more rate of income than 8% in relation to risk weighted assets, if it deems that necessary. The risk factors depend on the quality of management and risk management. Bank, whose managers have a clear perception of risk or the banks that do not have adequate monitoring and control of these risks, in principle should hold higher rate of income than banks who have adequate risk management.

Capital Adequacy Ratio (min 8%) =		
total bank capital	risk weighted assets	
Basel I i Basel II	Basel I: Credit risk + Market risk	Basel II: Complex treatment of credit risk + Market risk + Operational risk

Figure 2: The minimum amount of capital
Source: Ivankovic, S. 2009. Ibidem

5. LEVEL OF ADEQUATE CAPITAL

Basel arrangements showed that banks must have adequate capitalization, because only in that case can they sustain unexpected losses, although no level of banking capital is enough to cover too huge cumulative losses of banks. The basic sense of obligatory capital is to lower the risk of insolvency banks. That lowers macroeconomical or system risk as well as risk for deponents who can loose their deposits or part of deposit if the bank is not solvent and goes bankrupt. But obligatory capital of the bank can mean the limitation of the credit potential of banks. So creation of obligatory capital under of above the adequate level creates negative effects. Since the level of risk and capital of bank should be equal, for banks it is important to act on lowering of risk by operative methods. If there is a credit risk or risks that some loans or investments in valuable papers will not be paid out till deadline, banks can decrease this risk by:

- usage of certain methodologies for mark of credit capability of the asker for credit,
- collateral, guarantees and protected covenants,
- diversification of loan sale.

The rest of credit risk, bank covers by capital of the bank and operative reserves. The principle is that 'withheld' credit risk must ex ante be covered in every bank through formed capital of the bank and operative reserves.

The basic idea of Basel II is that height of obligatory capital is according to risk of debtors on micro level. That is why the debtors are put in suitable categories of risk (rating classes). By multiplying the height of credit exposure (nominal amount of loan) with ponders of risk we get the height of credit risk in absolute amount for every loan. By adding absolute amounts of credit risks for all loans we get pondered height of credit risk of bank on portfolio level.

Alternatively formulated, by multiplication of nominal amount of total credit sale of bank with average ponder of risk we get the amount of risky pondered asset of the bank. To that amount a rate of obligatory capital of at least 8% is used.

While regulating credit risk we can use two approaches.

The first – standard- approach, the bank must on every class of risk use ponders that are determined by supervisory institutions based on the evaluation of credit risks by some famous rating agency.

According to the second approach – intern rating approach – sophisticated banks use their intern methodologies under the condition that they are verified by supervisory institution. Intention of Baser committee is that banks, with creation of adequate conditions, slowly go from standard approach to intern methodologies to form obligatory capital. The advantage of intern methodologies is that they have in mind specific profiles of risk of banks.

The second pillar refers to supervision of bank by official supervisory institutions. These institutions should follow if banks formed adequate levels of obligatory capital according to regulations or according to intern methodologies. Furthermore, supervisory institutions have as a task to control intern methodologies that banks create, if they have adopted this approach. Supervisors have the right to set even higher rates of obligatory capital if they find it necessary. Creation of capital in dynamic time horizon should be according the strategic plan of development of the bank and the estimations of factors of risk. Supervisors can intervene to stop capital to drop under minimal level, and that intervention should be in quick corrective action.

Although the role of supervisor is emphasized, banking management has the basic responsibility for adequate capital by which it covers its risks of business. It is especially important if the bank chose intern methodology for evaluation of its risks and creation of obligatory capital.

Supervisory institutions have a goal not only to control if banks created adequate obligatory capital, but also to make banks develop modern techniques of management of risks. If there is increase of risk of the bank, increase

of obligatory capital is necessary, but not enough. At the same time, some other means should be used, such as improved methods of management of risks, usage of intern limits, increase of level of operative reserves and improvement of intern control of risks.

The third pillar refers to market discipline and represents addition to pillar 1 and pillar 2. Market discipline is in Basel program defined as obligatory disclosure of requirements about key performances of the banks. Disclosure of certain information contributes to transparency of profile of risk, which is important if the bank is using intern methodology to see its risks and create capital on that basis. The reason is that banks have greater discretion in estimation of necessary capital. The cycles are predicted for giving set of adequate information about performances of the banks. So banks have an obligation to 'reveal' this information every half a year, and great internationally active banks must publish this information every quarter of the year.

6. CONCLUSION

First, the importance of prudential control must be emphasized as a form of implementation of state regulative on financial market making it consistent with the rules of the game where strong market competition acts, why banks have increased risks. Without prudential control and supervision of banks and other financial institutions, deregulation in the sphere of banking and finances could lead to systematic banking and financial crisis. In other words, balance between politics of competition, protection of deponents and perseverance of system stability is created.

Usage of specific forms of market regulation of banks opens the possibility for some banks to go into moral hazard on purpose, or risky businesses believing that in case of failure the state will save them through its institutions. The slogan is formed 'too big to fail' because of that, which means that big and even middle banks consider that state must save them. Such politics by governments of developed countries is a short-term solution and because of that is not productive. Big banks should have the same treatment as other banks which are disappearing from the market scene because they are not solvent.

The fact is that Basel 2 is an international regulative is still not used completely and that deadline for usage is 2011. The cause for current economic crisis can not be looked for in the lack of prudential control in the scope of Basel regulative.

The existing economic analysis, control and revisions are a level of obstacle for the prevention of occurrence of economic crisis in banking system under the condition that banking management completely knows them and conducts them, and can resist possible pressures of the state and its macro-economical politics, doing it through the Central bank that often ignores its independence.

REFERENCES

- [1] *Bank for International Settlements*: Report of the Working group on Strengthening financial systems, Basle, october 1998.
- [2] *Basle Committee on Banking Supervision*: Amendment to Accord include the Capital incorporate market risks, Basel, January 1996.
- [3] *Basle Committee on Banking Supervision*: Supervisory guidance on dealing with weak banks, Basel, mart 2002.
- [4] *Basle Committee on Banking Supervision*: International Convergence of Capital Measurement and Capital Standards A Revised Framework. Basel, Jun 2004.
- [5] Benton E. Gup, Westport, Connecticut: *Praeger Publishers*. 2003.
- [6] *BIS, BCBS*, Enhancement to the Basel II Framework, including the capital regime for trading book positions, January 2009
- [7] Ćirović M. Bankarstvo, *Bridge Company*, Beograd, 2001. COBISS.SR-ID: 174762247
- [8] Ivanković, S.: "Analiza i kontrola kao elemenat savremenog bankarskog menadžmenta", *doktorska disertacija, FORKUP, Privredna akademija Novi Sad*, 2009.
- [9] Heaton, Hal B., Riegger, Christopher. "Commercial Banking Regulation", *Class discussion notes*. <http://marriottschool.byu.edu>
- [10] Živković A.: 2009. Prudenciona kontrola i supervizija bankarskog sektora, *Internet prezentacija predavanja, Ekonomski fakultet Podgorica*, 2009.
- [11] Heaton, Hal B., Riegger, Christopher. "Commercial Banking Regulation", *Class discussion notes*. <http://marriottschool.byu.edu>

SERVICE MARKETING STRATEGY

Magbul Škoro

MUP Kantona Sarajevo, Sarajevo, BOSNIA AND HERZEGOVINA, e-mail: smagbul@yahoo.com

Summary: Literature on strategy in the area of services is quite limited, and approaches that are adopted by most authors tend to be multifunctional. Strategy and are almost always general management problems, especially when you consider its implementation. I am a character service system, it often leads to intensified this view of management. We should note the importance of the service image, which above all must understand that enable communication between services organization - customers. Due to several times emphasize the characteristics of intangibility services, it is understandable that this communication is not easy to realize. Service organization is aware of the fact that it builds its own image in interpersonal relations with clients and if you achieve a satisfactory relationship, users in the wider environment of their satisfaction with services and the way organizations and services to a wider potential consumers. Decisions about the service concept, market segment and service system are of crucial importance for the achievement of each image and the lack of these three segments is the image of service. Given the above interactivity of this process is not exclusive inadequate interface between service organizations and clients, but must approach redefining market segments that must imply a new concept of service

Key words: service, strategy, consumer, market, management.

1. INTRODUCTION

Well-known theoretician Garvin [3] claims that common characteristics of service industry have a significant effect on a consumer; different assortment of factors is used, from those which directly influence buying satisfaction of concrete goods.

Factors can be put in the following order:

1. Tangible proof of a service (physical instance of a building or people);
2. Reliability in service delivering;
3. Recognizable readiness of the staff to respect customer needs;
4. Knowledgeable staff, from the aspect of organization policy and procedures of giving services;
5. Credibility of transferred information;
6. True concern for a customer;
7. General level of courtesy in behavior with all kinds of customers and
8. Ability of the staff to communicate, especially in listening and reacting to consumers.

In order to understand this very complicated problem of implementation of a service marketing more easily, there is a model of growth“ which originates from the basic formula of service business. Langeard i Eiglier [4] represent the idea of building a highly regulated strategy, which leans on a solidly defined goal segment, a very clearly defined benefit concept, a highly regulated service system and recognizable service image.

From the aspect of market economy it is very important that market segment is precisely defined – identified. All the consumers' characteristics have to be taken into consideration. Here we have dimensions which are not measured just by the need people have for the specific service, but also by the kind of exchange and service expression which an organization wants to offer. Approach to segmentation of market can produce a consequence of operational limit, net limit and limited service environment. Decision to perform segmentation is of crucial importance for leading active policy of segmentation and for control of link between market segment and service concept. (Kotler profusely writes about that in his book "Lateral marketing").

If a service concept is clearly defined, and it would have to be, then two very important questions are imposed.

- Which service attributes will be of use to the customers in the best way?
- Which benefits an organization should provide to its customers?

Answers to these questions are extremely important, because they enable correct definition of the service concept. Service attributes in that case are not only connected exclusively to the result, but to the process of giving service, that is to means and modus which helped to produce, deliver and use the service. Without estimate attributes, which are connected both to the result and the process, concept of benefit cannot be defined. Famous theoretician Garvin [3] thinks that common characteristics of service industry have a significant influence on the consumer. Different assortments of factors, those who have direct influence on the consumer, are used.

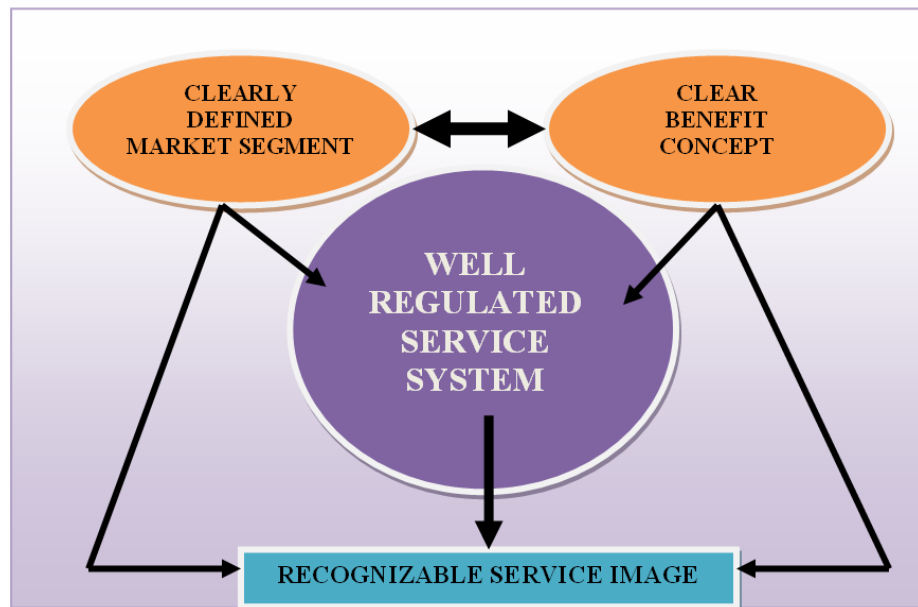


Figure 1: Formula of service system success [3]

If we take real existence of interface (level of connection) between an organization and consumers, it has to have a character of a net – “net connection“. Also, each service unit would, at the same time, have to be integrated into specific geographic and culture environment, and would have to possess an operational system similar to other units. This similarity is necessary and, we could say, unavoidable, if we take into consideration that the speed is very often a competitive advantage in building a service net with more units. Consumers should know what their role is in giving service. Expected way of participative behavior of a client or possible consumers represents in its significance the key dimension of managing this interface in the scope of identification of a market segment.

2. SERVICE STRATEGIES OF GROWTH

When we know that the services are timely limited, total service profit can be lost if the service system does not function at the time buyers want to buy the service. Services are also limited by a place and a location, which implies that locating of service capacity has to be as closer to customers as possible.

Bearing the above characteristics in mind, as well as possible negative consequences for an organization, a portfolio of a service company has to be of a more complex content, while Langeard i Eiglier [4] emphasize the possibility of the existence of three very important, at first simple service strategies:

1. *multisite* strategy (strategy of offering services in several places),
2. *multisegment* strategy (more segments)
3. *multiservice* strategy (more services).

Multisite service strategy implies application of the same formula on several service locations. Characteristic example are fast food chains of restaurants and hotel chains. In the last thirty years, fast food industry has had continuous spectacular growth by strategy of giving services in more places, through restaurant chains. They had a narrow offer of hamburgers, chicken, pizzas or croissants. Such narrowed field of service lessens complexity of delivery system and facilitates quality control, at the same time enabling new markets. When a market is expanding quickly, successful aggressive companies with a pretty average service offer have the possibility to significantly enhance the system of delivery in a short period. It is evident that service market strategy is more inclined to this strategy than the one based on enhanced assortment of service package.

From the aspect of marketing, decisions made are divided to capital and tactical decisions. In the process of creating a formula of successful strategy appropriate marketing research is necessary. When a strategic formula is defined by marketing approach, critical marketing decision is location. After that, there are tactical marketing problems of optimization of a number of future consumers and their consumption. "This tactical marketing resembles a lot street fights in the war between local competitors. Standardization and specialization are the most important characteristics of this scenario. Organizations create such working ambience, bearing in mind that the offer is not flexible and that adjusting service offer is a very complicated task" [5].

Multiservice service strategy represents an offer of a large number of key services – on a small number of service places. A large number of service companies has pretty good knowing of local markets and are able to realize acceptable selection of consumer segments, permanently following development of new needs so that they can satisfy them as soon as possible. In that way, service organizations valorize their reputation and send clear message of well knowing consumer needs.

In this approach of a service organization, basic problems of marketing are solely related to the process of development of new services. It is not enough to know just the segment where the service is given, but it is also necessary to know what exactly a service system can offer on that market segment. This is what Langeard and Eiglier insist on, emphasizing the difference between key and peripheral services in order to explain and better understand this problem.

In order to increase profitability, peripheral services have to lean on already determined and verified basic formula of success. Examples for this are boutiques in a hotel hall or bar. We need to emphasize that the complexity of a service offer can be increased only if one of peripheral services becomes key service in other round (when a hall restaurant becomes a profit center). Such behavior of a service organization represents a very risky strategy which is exclusively oriented to market segments, leaving markets where they did not achieve expected results. Their second coming to those markets is almost impossible.

Multisegment marketing strategy is reality and "consequence" of tendency for better usage of service capacities. Non-segmented market barely exists, and even if there is such a market, it has few consumers or it displays high level of economic insecurity.

Marketing strategy, as a strategy with several segments, primarily has a task based on finding new segments of consumers where they can sell the existing service package. This strategy has been widely disputed with most of the theoreticians who deem that it is an anti marketing argument. We cannot say that this dispute has no arguments, because the very orienting to new market segments shows that service orientation in that way does not respect needs of the consumers and that it does not want to adapt to them.

2.1. Service strategies and their influence on service organizations

Combining plain strategies mostly causes a series of problems. These problems are perceived as soon as the first phase of company growth, when it faces all the consequences of strategic decisions. Langeard i Eiglier [4] describe different strategies which can be accepted with merging *multisite/multiservice* strategies.

This approach was followed by service organizations which belonged to old service industry. In the early – first phase, they started with *multisite* service strategy and when their net accomplished a certain level of saturation, they left these strategies and started introducing new services.

Example: chains of gas stations which significantly expanded service assortment.

Multiservice/multisegment organizations work in the "basic place", but they very often have numberless peripheral services in several segments. Noticeable example of such organization is a grand luxury hotel. The hotel can serve different segments of guests. These segments, in the case of a hotel, reflect through classic hotel guests, guests using a service package, guests on conferences / seminars, restaurant guests and bar guests. However, each of these guests can use the hotel for business or for pleasure, or for both.

Each segment is offered a concept of different complexity, as well as different mixes of given services. The aim of such a hotel could be a conference guest, who agrees to use all the hotel services as a part of package arrangement offered by the sponsor of the conference.

In such situations marketing problems are widespread. The price of mixed service becomes a very complicated question. It is very hard to realize a selective addressing to different segments and not to disturb complete image of the hotel.

Service organizations present on more market segments imply the existence of a constant activity in marketing process of the development of new services. The existence of a complex service package which is adapted to a larger number of segments can produce big problems in maintenance, and by that in managing the service quality.

"Multisite/multisegment organizations are characterized by decreasing the number of services out of a certain place, but they are trying to attract a larger number of consumer segments. McDonald's *fast-food* restaurant chains function like this, orienting to a mix of different, closely connected groups of segments. Performance on more market segments arises as a need for better usage of surplus of capacity. That is why a chain of fast food

restaurants has an intention to use the surplus of capacity in that time. In order to do that they offer a cheap children meal, so as to attract whole families to dinner. However, if this project is managed badly, children can take empty seats which would otherwise be taken by adults, whose profit possibility is by far higher [5, pp. 146]. Langeard i Eiglier [4] support the attitude that service development happens in all the phases of a life cycle of a service company. Performance of small entrepreneurs is solely leaned on new – innovation services. Many organizations go to markets with new services in the course of growth, phase of maturity or decline in the life cycle. In any of these cases, service formula must be applied. These authors emphasize the importance of service development strategies which are positioned in multisite/multiservice net.

It can easily be perceived in such cases [1], that there is a real possibility of copying service process. Physical support, personal contact and individual role of a client are copied, which is done for each unit in the net. There is a real possibility to realize satisfying control of service quality, prices, as well as easier communication with market segment. Service concept thus becomes strong and good ratio between price and quality. Apart from the choice of location of giving service, very important elements are policy of “products” and policy of “distribution”, while policy of communication and policy of prices are just auxiliary. The existing marketing of each individual unit is very simple in this case. If a marketing manager makes a mistake on the occasion of choosing a location aggressive policy of prices, communication mix cannot do anything to overcome the mistake.

On the basis of former theoretical knowledge of modern economy, innovations demand as quick entrance to a market as possible, and that speed cannot be realized by large companies or corporations. Main reason lies in the fact that an innovation has to go through all the procedural instances to make a decision about coming out to market with a new innovative service.

Strategy service cluster [4], *Cluster* approach, implies that a research is conducted for a precisely defined set of services (*service cluster*) or a group of countries (*country cluster*) or a group of organizations which open the market of professional services or which serve high quality customer service market.

The accent in this strategy is above all put to the assortment and quality of services, which happens when there is a small net or highly selective net, so as to control quality of service and manage capacities as easy as possible. In this case service offer can be very complex and demands very flexible manipulating of a service situation.

Various offers are given here, and all of them have to have a common denominator from the point of character of exclusivity and original quality, which only plays a role in a contribution to strengthening the image in general, and by that to satisfying profitability.

A strong service concept represents high level of a service performance which creates high loyalty of a consumer.

3. PLANNING SERVICE MARKETING STRATEGY

Service organizations which accepted marketing concept and their advertisers have to make an idea operative, that is, they have to carry out marketing in practice. Their first step is directed towards representing system approach in giving service to customers. Accepted system approach will be used in the process of marketing planning.

Marketing planning is defined as a planned application of marketing means for realizing marketing goals, and marketing process consists of the following steps [7, pp. 87]:

- permanent collecting of information on outer environment and inner organization,
- appropriate identifying of important strengths and weaknesses of an organization and its possibilities (SWOT analysis),
- right formulating of basic assumptions on key determinants of marketing success,
- putting marketing goals of an organization in real scopes, based on collected information, SWOT analysis and created assumptions of a formulated strategy,
- finding detailed plans and programs for goal realization, as well as
- appropriate measuring of the progress in the direction of realizing goals, reexamining and repairing the plan if it is necessary [2, pp. 62].

Process of formulating a marketing strategy, bearing in mind main phases which are developing in logical order, which is common and applicable in service marketing, as well as in product marketing. However, marketing experts are followed by problems when they are faced with problem solving. Researchers are met with numerous problems with many marketing questions.

Trying to solve these problems Cowell insists on six most important:

1. Understanding of nature of service activity, where we right away encounter the problem of describing a service job. Different ways of service classifying which are relevant for formulating strategies are used in that sense. An example of classifying a service business can be a business dominantly based on application of equipment (*equipment based*), as well as the one mostly based on a human factor (*people based*). In the

first case we use automatization, in the other we use expert or non-expert labor force. Description and positioning of a service business according to the nature of activity is important for formulating a rational strategy.

2. Getting to know the consumers themselves, by identifying them and identifying what they want. In this case, it is necessary to identify goal markets, understand the needs and demands of consumers and the way of making decisions on buying. This is where the imperative of further research of eccentricity and behavior of consumers is imposed, to formulate rational marketing strategy of service organizations.
3. Third question is related to corresponding problems of protection of service business from competition. A service organization has to know how to enter the market, and how to build and defend its competitive position. Construction and maintenance of competitive position is more complicated when services are in question, mostly because of non material nature of the key part of the offer. Right way for constructing a powerful competitive position is realized through "differentiation" of service related to competition. Image of service organization and its services in the eyes of consumers is created on that basis, which leads to a certain characteristic positioning on the market.
4. Fourth question is based on a demand to realize more efficient service operations or dealing with lesser costs. Service organizations are mostly trying to improve efficiency of the operations by applying mechanization, specialization, using technology and systematic approach during designing a service.
5. Fifth question is related to the kind of effort used in development and testing of service offer. In strategic decision making, the fact that most of the services are of non material character imposes big problems; of course the role of human factor is crucial. In service organizations research, development and planning are not so developed as with processing organizations. Result is much less innovations in service sector than in industrial production. A special strategic challenge appears when advancing of the process of new services, as well as creating services with big participation of intangible elements and high level of invention are in question.
6. Sixth question is how decisions on marketing strategy affect the decisions in other parts of organization. Or the other way round, how strategic decisions in other organizational parts affect marketing strategy. Marketing strategies, production strategies and personal strategies cannot be separated from each other in service organizations.

4. CONCLUSION

Marketing strategy, as a strategy with more segments, primarily has a task based on finding new segments of consumers where they can sell the existing service package. This strategy has been widely disputed with most of the theoreticians who deem that it is an anti marketing argument. We cannot say that this dispute has no arguments, because the very orienting to new market segments shows that service orientation in that way does not respect needs of the consumers and that it does not want to adapt to them.

If we take real existence of interface (level of connection) between an organization and consumers, it has to have a character of a net – "net connection". Also, each service unit would, at the same time, have to be integrated into specific geographic and culture environment, and would have to possess an operational system similar to other units. This similarity is necessary and, we could say, unavoidable, if we take into consideration that the speed is very often a competitive advantage in building a service net with more units. Consumers should know what their role is in giving service. Expected way of participative behavior of a client or possible consumers represents in its significance the key dimension of managing this interface in the scope of identification of a market segment.

Evident strategic challenges for service organizations are: how to introduce new procedures for service developments and how to design intangible and unusual services.

Total operation strategy is seen as carrying out of a service, with the costs and minimum of errors, or as matching consumers' perceptions of value of service above costs. Classic method of cost cut, by substituting human work by modern technology is very limited in service process, so strategic challenges are often of different nature when we talk about services.

The right way to build strong competitive position is realized through "differentiation" of a service related to competition.

REFERENCES

- [1] Bateson, G. E. J. 1988.: *Managing Service Marketing*, The Dryden Press.
- [2] Cowell, W. D.: *The Marketing of Service*, Butterworth – Heinemann, 1991.

- [3] Garvin. D. 1988.: *Managing Quality: The Strategic and Competitive Edge*, The Free Press, ISBN: 0-02-711320-6.
- [4] Languard, E i Eiglier. P. 1983.: *Strategic Management of Service Development in Emergin Perspectives of Service Marketing*, AMA, ISSN: 0092-0703.
- [5] Ljubojević, Č., 1996.: *Marketing usluga*, Institut za tržišna istraživanja, Beograd, ISBN 86-81803-06-09.
- [6] Sasser. W. E. i Morgan. P., T. 1977.: *The Bermuda Triangle of Food Service Chain, Yhe Cornell Hotel and Restaurant Administratioll Quality*.
- [7] Stojanović, V.: *Menadžment usluga*, Privredna Akademija, Alfa-graf NS, Novi Sad, 2009. ISBN: 978-86-84613-89-1.

POSITIONING STRATEGY – THE KEY SUCCESS FACTORS

Gordana Tomić
Business School, Belgrade, SERBIA

***Summary:** In the 21st century the enterprises are facing rapid changes in the market. The enterprise which will be able to react instantly and adapt to the ongoing changes in the region is likely to survive, whereas those which will neglect the changes will get excluded from the market competition. The aim of every business is to best satisfy its consumers compared with its competitors. Due to the global economic crisis there is a constant 'struggle' for consumers because consumers are getting more reasonable and they buy only what is necessary to them. All these facts make companies adapt to a new situation and design an offer that is appropriate to consumers. This paper focuses on positioning strategy – making an offer of a company that has a prominent role in the consumer's mind – as well as on the key success factors. Before employing positioning strategy, it is necessary to segment and target the market.*

Key words: consumer, competition, positioning, market segmentation and market targeting

1. THE PROCESS OF MARKET SEGMENTATION AND SELECTION OF TARGET MARKET

The market comprises the consumers that differ according to wishes, needs, requests, purchasing power and so on. All these things can act as a basis for segmentation. Before the segmentation is accepted, massive marketing was a prevailing form of communication with consumers, that is to say, the same product and marketing mix must be offered to all consumers. The famous motto of Henry Ford, who offered T model automobiles, is the essence of this strategy, and it reads: 'Any colour – so long as it's black.' As it has been mentioned, the consumers are not the same and they want to express their differences in the market. Today targeting is more and more accepted – that is, a company makes every effort in the particular group, or segment of consumers. Market segmentation is the basis for targeting. Market segmentation is recognizing the similarities and identifying special, homogeneous groups of consumers. After Kotler, market segmentation can be defined as 'breaking up the total market into smaller components, into homogeneous units of consumers, where every unit can be deliberately selected as a market measure in order to be accessible to the certain marketing mix' [2]. Kotler's process of the targeted marketing is illustrated by six activities:

Market segmentation	Target market choice	Product positioning
1. Identifying basis for the market segmentation	3. Developing measures for segment attraction	5. Developing product positioning for every target segment
2. Developing profiles of the resulting segments.	4. Choosing the target segment(e)	6. Developing marketing mix for every target segment

According to Kotler for segmentation to be successful, market segments must have the following features in order to be successful:

- Measurability– the size and the spending power can be measured
- Merit – segments are large enough and can bring enough profit
- Availability– segments can be determined and can be served
- Operativity – establishing useful programmes which can attract and serve the segments.

After the market segmentation has been conducted, the next step that the enterprise can take is the choice of the target market. While choosing the target market the enterprise must decide whether it will use the concentrated marketing strategy, which means that all marketing efforts of an enterprise are directed to one segment, or the differentiated marketing strategy, that is, the enterprise is serving two or more markets, and developing at the same time the marketing mix for each selected segment. After the identification of market segment and making choice of one segment or segments, the final step taken by an enterprise is the product positioning.

2. KEY FACTORS WHICH DEFINE THE SUCCESS OF STRATEGY POSITIONING

According to Trout and Rivkin [6], positioning is the "technique in which marketers try to create an image or identity of the product, brand or company. It is a "position" that the product occupies in a given market, perceived or experienced by the target group "Positioning is the image of our product or service in the minds of consumers. Positioning is a strategy that starts from the analysis of consumers and competition. The point is to determine which product or service meets the needs of consumers, that is, with the emerging needs, our brand is the first thing that comes to their mind. As already stated, it is necessary to have a good knowledge of markets we operate in, ie., what is our position in relation to the competition.

In practice there are the following positioning strategies which are guided by [5]:

- Characteristics of the products or services: what are the characteristics that make you different?
- Advantages: what are the advantages the consumer gains by purchasing your products?
- Manners of using: the emphasis is put on the physical characteristics of the product
- Users: identifying target users of the products or services
- Counter competition: positioning is directed counter the competition's offer
- Away from the competition: positioning far away from the competition
- Classes of the products: the different classes products and services are compared.

These are all facts that need to be processed and analysed and they will help you win new markets. Competition is getting more and more fierce and nothing can be taken for granted. Each sequence of moves must be followed and checked before it is released. To make any mistake in the merciless market competition can cost you. Every company's goal is to make strong position on the market by using its own resources; it means constantly keeping up with the proceedings and creating a set of products' and services' characteristics that can meet the consumers' needs in the best possible way, and, in addition, to gain profit in.

The question arises: what are the effects of strategic positioning? The answer to this question is: it means success in business and profitability. The effects can be seen in creating barriers for competition's market release, solid grounds for so called nice adjustment of strategy are made, and positions against the wholesalers and the manufacturers are strengthen [5].

The modern consumer is exposed to great pressure i.e. what to choose to be to his taste, to be aware that he has made good choice because the market is swamped with mass of various products, which sometimes confuses the consumer. After shopping, the consumer often has the dilemma whether he chose the right product out of all the offered products? It is necessary for companies to put a lot of effort to inform the consumer about the advantages they will gain by purchasing their products, and to remember them.

Key factors for successful positioning are [1]:

- Clarity – The idea presented and the differential advantage must be perfectly clear when they are presented to the target market.
- Consistency – consumers are exposed to a large number of messages, therefore it is necessary that messages are consistent in order to avoid any confusion with the consumer.
- Certainty – selected differential advantage must be convincing for target consumers.
- Competitiveness – selected differential advantage brings the organization into a favorable position compared to other competitors, i.e. it would offer something that competitors don't have and consumers would appreciate.

The question about the positioning refers to the creation of the differential advantage, i.e. what are those attributes which are better than the competition. The essence and task of positioning is in the identification of areas for creation of a competitive advantage and possibilities for the development of competitive advantage on the basis of sets of potential competitive advantages, the right choice of the competitive advantage and efficient communication and presentation of the desired position to the market [3].

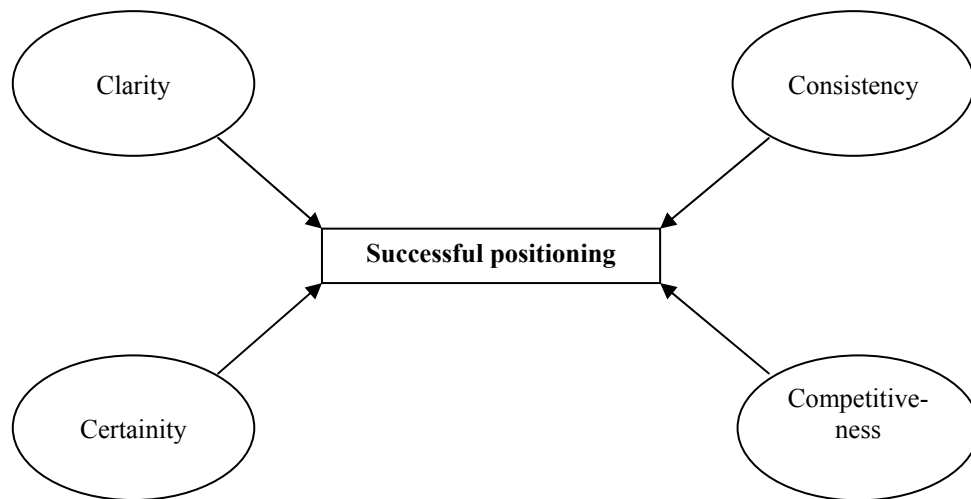


Figure 1: Key factors for successful positioning

3. CONCLUSION

The aim of every organization is satisfied customers along with realization of a profit. If you wish to achieve a leading position in the market you need to offer something different compared to your competitors. It is necessary that the organization puts its efforts towards the target market, to understand how this target market defines and selects values. Positioning of a product refers to its positioning in the market whereby it is accepted by the consumers on the basis of its attributes and they appreciate this in relation to other competitive products.

REFERENCES

- [1] Jobber D. and Fahy J., Basis of the Marketing, 2nd edition, Data status, Belgrade, 2006.
- [2] Kotler Ph.: "Marketing Management", IX edition, Prentice Hall, New Yersey, 1997.
- [3] Kotler P. and Armstrong G., Principles of Marketing, Prentice Hall International, London, 1993.
- [4] Mardokić B. and Tomić G., Marketing research, BPŠ, Belgrade, 2006.
- [5] Prljević M., Positioning strategy as a key to success, II edition, Author edition, Belgrade, 2005.
- [6] Trout J. and Rivkin S., The new positioning: The latest on the worlds, business strategy, McGraw Hill, New York, 1996.

INTERNATIONAL ECONOMIC COOPERATION OF SERBIA AS A KEY FACTOR FOR GETTING OUT OF THE ECONOMICAL CRISIS

Ukić Nihad

¹ ECONOMY ACADEMY UNIVERSITY, Novi Pazar, SERBIA, e-mail: ukic@verat.net

Summary: *Economic cooperation between Serbia and other countries, like the economic utilities concerned on external transactions, is carried on parallel the transition process, liberalization, in other words opening the Serbian market towards foreign countries. Objective cooperation has a consequence of many business relations as the state, so the economic utilities with foreign economic utilities. The stated cooperation is carried on by concluding a large number of international economical contracts which realize both individual and the general, social interests. With this paper, some of the most significant international corporate contract will be put into context of significance they have on Serbian economy with description on how can they influence the overall economic development of Serbia, with a special overview on the significance of these contracts in the transition process, global economy crisis, both economy and the society as a whole. For that purpose, we will use the reference which gives us basic data on general and single characteristics of international economical contracts, economical entities, laws that give us a legal limits and upon which the international economical contracts are concluded, The Report of Serbian Economical chamber and the concluded international contracts - agreements where a contracting side is Republic of Serbia with general and individual interests which are achieved with conclusion and realization of these contracts.*

Keywords: *economic cooperation, international contracts, liberalization, transition, investments, international financing organizations, economic development, European integrations.*

1. INTRODUCTION

The causes of world economic crisis are very complex and have become a subject of research of many researchers from various science disciplines. In this matter there are a vast number of papers dedicated to causes and effects of the crisis. A large number of papers indicate that the so-called world economical crisis is a consequence of social crisis, system values crisis, moral crisis, democracy crisis, international institutions crisis, etc.

Undoubtedly, the world economic crisis has multiple causes and heavy consequences for the economical development of large number of countries, among which is Serbia with its specific transition and reform of overall economical system.

Surely, it is not enough just to indicate the causes and effects of world economic crisis, but it is also necessary to point out how and which way to get out of, or at least tame the effects of this crisis on national economy.

This paper intends to, by analyzing international economical cooperation which occurs and realizes through different forms of international economical contracts, point out the significance of those contract on the economic development of Serbia, especially now when Serbia is in transition process and faces heavy consequences of world economic crisis.

2. ECONOMICAL COOPERATION OF SERBIA WITH OTHER COUNTRIES

In Serbia, during the transition process, there emerge significant changes in the field of economy, market, foreign exchange business, goods exchange and foreign services, industrial and economical development and amplified international business cooperation. Inevitability of Serbian market liberalization and free trading

exchange with other countries become a significant factor and one of the requirements for Serbia to enter the European Union.

Free trading exchange between Serbia and other countries, especially the surrounding countries, has a goal to increase the magnitude of foreign exchange of goods and services, which gives the economical entities in Serbia exporting possibility to sell its goods and services on the international market of goods and services, and also other views of business cooperation which is carried out through different forms of international economic contracts.

In order to create free trading zones on April 29th 2008 Serbia has signed a Contract on stabilization and joining (CSJ) with the European Union. With that contract Serbia has taken a series of obligations where the most important two ones are: constitution of free trading zone and accordance of Serbian legislature with the EU laws. European Union confirmed with this contract the free Serbian goods access to EU market, which opened exporting possibilities to economical entities from Serbia to place their products and services onto the European Union market. This will influence the increase of export in relation to goods import in Serbia and the decrease of deficit in cross selling. This contract also provides measures of securing the key sectors of home industry (like car industry, toy, shoe, ceramics industry, etc.). The liberalization process of Serbian market towards the EU will be done in phases and it will involve the liberalization of customs regulations. Customs will be lowered gradually during the transitional 6 years period. Opening of the Serbian market to the European Union countries will be passed on gradually, with the basic goal of protesting the Serbian market, while the exporting possibilities towards the EU countries will be opened due to the free access of Serbian goods to the European Union market [5].

For the development of Serbian export rate to foreign countries, especially countries from the region, the CEFTA contract is also important (Contract on free trade in the west Balkans), or Central European Free Trade Area. Serbia became a part of CEFTA 2006 on December 19th 2006. This contract has a goal to increase the goods and services exchange between the contract signing countries. Surely, this will make Balkan more attractive for foreign investments, therefore a stronger inter-corporation cooperation of economic utilities from different Balkans countries, regarding the investments. This contract should increase the resource allocation, in other words the countries will produce the thing they have a comparative advantage and to increase the number of trading products [6]. In the outcome, this contract has an effect on the growth of products and services competitiveness, export growth, therefore the employment, which results in standard progress in Serbia and the whole region. For that purpose it is necessary for Serbia to use as much potentials of this contract as possible, and lessen the downfall of economical development.

In the international economic cooperation for Serbia and for the economic subjects of special importance is the foreign trade cooperation of Serbia and the Russian Federation and the potential opportunities for improving the commodity of goods exchange. In the exports structure the most important thing is the broadly used goods, while the investment cooperation is carried out by improving the level of international investing cooperation and business relations between economic utilities of both countries. In order to increase the dynamics of foreign trade the concerned thing are the agreements on delivery of investment equipment, and opening the Russian market for investment that would increase Serbia's foreign currency income and thus reduce the economic deficit that Serbia has to Russia with regard to import-export relations. Contract with the Russian Federation on cooperation in the field of oil and gas economy, at least according to expectations, should be to ensure that supply of gas and other energy, investment works in the territory of Serbia on the development of gas, underground gas storage and capacity and the importance of the agreement would mirror the employment of labor, which is one of the main objectives of policy the Serbian Government, to increase the production in other sectors that provide inputs for the infrastructure investments in energy capacity. Indirectly this would increase production in other branches, because the recruitment of labor increases the financial power of the population and demand in the domestic market [7].

In order to overcome poor indicators of the economic development of Serbia it is important to point out the need to assert investments abroad, which will be performed by domestic economic entities, which include the development of spatial and urban plans and programs, and the main and retailed projects and the investment-technical documentation, performance of geodetic and geological works etc. [1]. It is important to enable the economic entities in Serbia greater competitiveness on the performance of investment works abroad which will have an impact on the greater inflow of foreign funds in Serbia.

For the development of international road transport between Serbia and Russia signed an important protocol in Moscow on February 28th 2008 in which they determined the basic directions for the strengthening of trade - economic cooperation between the two countries. Protocol is provided to increase the number of licenses for international road transport between Serbia and Russia, by which these contracts gain in significance [7].

Contracts of loan, where we have Serbia as a contracting side, are important from aspects of development of international monetary cooperation, exchange rate stability to the domestic currency and the establishment of equilibrium in the balance of payments. Of special importance are the contracts with the International Monetary Fund (IMF). The aim of the implementation of agreements with the IMF is to achieve macroeconomic stability,

especially towards abroad, strengthening of foreign exchange reserves and stability of domestic currency, which is more than needed in overcoming the crisis [8].

In order to develop the automotive industry there is significance in the strategic agreement on joint investment in the factory "Zastava" from Kragujevac, between Serbia and the Italian "Fiat group", in the value of approximately 950 million euros. It is the largest single investment in the domestic automotive industry. Therefore the importance of this agreement is reflected in the fact that the export will contribute the macroeconomic stability in Serbia and open the door to new foreign investment and employment. The opening of 4750 job positions is predicted. Agreement with "Fiat" has special significance for local government, the City of Kragujevac, because it will affect the general development of the city, services, and all that follow its realization [5].

Economic cooperation of Serbia with the European Union, countries in the region, Russia and other countries on the principles of free trade has resulted in many relationships that have the form of international agreement and whose realization is provided by economic growth, economic stability, attracting foreign investment, harmonization of development of the region, and easier access to WTO and the EU, which are the required directions to overcome the consequences of the transition and the world economic crisis.

According to Serbian Chamber of Commerce, Bureau of regional cooperation-report entitled "Serbia and the CEFAT region", July 2008, the largest foreign trade volume of foreign exchange and economic cooperation in general, makes Serbia with the European Union (about 50%), and the region of South East Europe (SEE), the ex-YU republics. All these are indicators of improvement of international business cooperation of Serbia with foreign countries, which should improve, thus the importance of gain and various forms of international commercial contracts [6].

Concession contracts are important because they allow the participation of foreign capital in activities that may be subject to concessions. Concessions have a positive effect on the development of industry, the inflow of foreign capital, employment of workers and transferring new technologies. The concession contracts are important to Serbia, or concessions for the construction, usage and maintenance of certain roads, because after the concessionary of the road built, as well as devices, facilities and other resources that in the function of performing concession activities, become the property of Serbia. Concession is a good form of security funds for the construction of transport infrastructure, in terms of when it is difficult to get funds from other sources and these contracts to Serbia and have a special significance and have a special importance attached to them in the overall economic development [11].

The importance of concession contracts is in the field of improving the tourist economy. International tourist market in recent years records envious results. Bearing in mind the tourist potential of Serbia, it is clear that tourism should be given an adequate role in the overall process of economic recovery and inclusion of our country into international economic flows. One of the ways for establishment and functioning of modern market demands and the custom of tourism development, is giving concessions in this area. Concession contracts in this area have influence on the development of tourist potential of Serbia, which leads to foreign economic entities in the business of providing tourist services in the position of international market of tourist services that will undoubtedly increase the number of international agreements on the provision of tourist services with foreign countries, and increase the income realized by the provision of tourist services, which will be reflected on the development of the entire economy in Serbia.

The need for concession contracts is interpretative in the field of development and sustainability of the communal system. Possibilities of the state, local government and public enterprises for solving problems in the functioning of utilities abroad, and increase revenues realized by the provision of tourist services, which will be reflected on the development of the entire economy in Serbia.

The needs for concession contracts are gaining significance in the field of development and sustainability of the communal system. Possibilities of the state, local government and public enterprises for solving problems in the functioning of municipal systems become a boundary. Imposed is the need for finding flexible forms of organization, management and financing of these activities. One of the ways to overcome the lack of financial resources is giving concessions in communal activities and the importance of concessions is being expanded to the development of communal activities, which gain a special benefit for the local government.

The funds invested in the development of domestic economy, infrastructure, services, on the basis of concession contracts, create conditions for the development of certain activities, and increase the competitiveness of the domestic economy to foreign countries. In this way, the business entities are given the possibility of more various, competitive, international economic cooperation so that other international economic agreements gain in importance.

Leasing contracts have an important role in the economic development of countries and the economic development of Serbia. Leasing is of special importance for the development of small and medium-sized companies. In conditions when the Serbian economy does not have enough financial resources, nor state economy can provide sufficient funds, leasing becomes an important source of mid-term and long-term financing to provide the possibility for companies in Serbia to modernize their equipment and increase their

competitiveness, especially in the international market. It also represents an important method of encouraging investment. Leasing contracts have multiple economic importances for Serbia, such as: providing the necessary financial resources for the development of small and medium-sized companies, which is one of the strategic goals of economic development of Serbia. They have an impact on increasing the competitiveness of domestic companies to the world, enhances the supply of up to date and higher quality business equipment from abroad, which is achieved by modernization of business in Serbia. The fact that Serbia saw the importance of leasing is the Law on financial leasing, adopted in May 2003, which determines inconsumable goods as a leasing subject (such as equipment, vehicles, etc). In fact, it is not difficult to conclude that there is no successful business without modern equipment, which in addition to the cost, is being available through leasing to the economic entities in Serbia, who are faced with the lack of financial resources, in this way become concurrent entities in the international market by issue of modernization production and operations, which is the key to successful entrepreneurship [11].

For economic entities in Serbia, particularly for economic entities exporters, important is the international treaty on factoring and forfeiting. Importance is reflected in the fact that these contracts have the aim of lending short-term export transactions. Within factoring, the bank is the factor guarantee for payment of claims for the client and the legal, commercial and accounting activities. Small and medium sized companies in this way can get significant financial resources, in the absence of same, and to the modernization of production. In both contracts the bank occurs as a guarantee of payment of claims, on the issue of export transactions, and export of goods and services in foreign markets. This guarantee encourages export activity of subjects and thereby creating the conditions for crediting export business, which is an important component in the overall economic development of the country. Undoubtedly, these contracts directly affect the volume of export business to overseas, the risk of non-collectibility for the bank, and on the other side, providing of considerable funds for the financing of exports, which strengthen the export potential of the economy as a whole.

For the development of small and medium-sized companies of special importance is the franchising business. This form of entrepreneurship, which represents a set of elements (of goods, services, technological process and the rights), which the giver of franchise puts with the franchising agreement to the use of the franchise recipient, is the ideal of the market where it is difficult to automatically start a job. So this form of business in Serbia is becoming more frequent and acceptable. For companies in Serbia, this form of business allows you to: help at the beginning of business, fast and efficient broadening of the work, the introduction of new working places, great support in times of crisis, financial success, the use of names and companies and license rights (the world famous brand) and so on. International franchising agreements are important for economic entities in Serbia, from the above mentioned reasons, they provide the benefits related to lesser investment, low risk business, the possibility of obtaining funds from franchise donor, quality personnel, faster development of business and the impact on employment.

Entering the enterprise by buying a franchise, using the name, business and license right of world-renowned brands, is safer and easier, and our companies have the opportunity to, with a little money, get to operate under the name and in a manner of well-known international companies and become recognizable as a brand. The proof of the success of franchising business are McDonalds which has more than ten branch offices in Serbia, and a chain of OMV gas stations with about 20, Coca-Cola has a wholesale franchise. This way of doing business, in addition to the fact that the franchise cost of five thousand euros and up, is important for developing companies and private companies with limited capital to join the larger systems and with a smaller revenue gain in the security business. From that we conclude that the international agreements on franchising have a special significance for the Serbian market, where it is difficult to start a job alone.

And other international economic agreements, independently, or within some broad - general contract, provide special importance to the economic development of Serbia, especially now in the process of transition, the global economic crisis, development of entrepreneurship and liberalization of markets abroad to Serbia.

3. CONCLUSION

International economic cooperation of Serbia with foreign countries becomes a key factor of economic development of Serbia and overcoming the economic crisis. On one hand, it has to improve exports, increase investments, and on the other it must ensure freedom of trade and liberalization of the Serbian market for reasons of European integration.

Priorities of international economic cooperation, which is achieved through various forms of international commercial contracts and agreements, are the increase of foreign direct investment, exports increase, liberalization of foreign trade regime, more intensive cooperation between domestic and foreign commercial entities, as well as the main priority of preparing for the WTO accession and joining the EU.

Given the low financial capacity of the state, a low level of development of infrastructure, entrepreneurship, the existence of monopolies, political instability, we can rationally conclude that the key directions for Serbia to get

out of the economic crisis is the increased international economic cooperation in the area of domestic products exports, strategic investments in the domestic factories, the development of road transport networks, development of services, reform of regulations and implementation of the Contract on stabilization and joining. Certainly, the above mentioned elements of the economic cooperation between Serbia and abroad will impact the moderation and later on the eliminating the consequences of world crisis.

REFERENCES

- [1] Kostadinović S., Međunarodno privredno pravo, Ekonomski fakultet u Subotici, 3 izd., Subotica, 2005.
- [2] Kostadinović S., Kompanijsko pravo, Fakultet za trgovinu i bankarstvo „Janićije i Danica Karić“ – Beograd, Beograd, 2006.
- [3] Protokol o jačanju trgovinsko- ekonomske saradnje između R. Srbije i Rusije, potpisan u Moskvi 28. februara 2008. godine.
- [4] Privredna komora Srbije, Biro za regionalnu saradnju- Izveštaj pod naslovom „Srbija i region CEFTA“ jul 2008. godina.
- [5] Sporazum o stabilizaciji i pridruživanju, zaključen 29. aprila 2008. godine između R. Srbije i Evropske unije.
- [6] Sporazum CEFTA, potpisan od strane Srbije 19. decembra 2006. godine.
- [7] Sporazum o saradnji u oblasti naftne i gasne privrede između R. Srbije i Rusije, potpisan 25. januara 2008. godine, objavljen u „Službenom glasniku RS“ broj 83/2008 („Međudržavni ugovor).
- [8] Sporazum između Republike Srbije i MMF, zaključen 26. marta 2009. godine.
- [9] Ugovor o zajedničkom ulaganju države Srbije i „Fijata“ u „Zastavu“, potpisan 29. septembra 2008. godine u Beogradu.
- [10] Zakon o koncesijama („Službeni glasnik RS“, broj 55/2003).
- [11] Zakon o finansijskom lizingu („Službeni glasnik RS“, broj 55/2003).
- [12] Zakon o preduzećima („Službeni glasnik RS“, broj 24/98, 62/02, 66/02, 38/03, 97/04, 34/06),
- [13] Zakon o privrednim društvima („Službeni glasnik RS“, broj 125/2004).
- [14] Zakon o spoljnotrgovinskom poslovanju („Službeni glasnik RS“, broj 101/2005).

RE-ENGINEERING OF MARKETING BUSINESS PROCESSES IN CRISIS CONDITIONS

Snežana Urošević¹, Dejan Riznić¹, Ana Dukić²

¹ Technical Faculty, Bor, SERBIA, e-mail: snezanaur@gmail.com

² Economic School, Arandelovac, SERBIA

Summary: Crisis and crashes of a company have become a constant of our economy everyday. They do not occur only in periods of recession but also in periods of economic growth. So, the crisis is natural and anticipatory consequence of every and even successful business. Business in crisis demands taking of forehand measures, because organisations with better management cope with critical situations more easily. The need for re-engineering arise when other programs for business improving are not capable to stabilise the system and secure its development. In planning of re-engineering business processes it is acted on development of visions and goals which are based on essential competence of the system in relation to concurrence, strategic plans and activities of which strategic capacity and economical success depend on. Within the planning concept, the goal, area, time, agents of re-engineering and anticipated results are determined. Re-engineering presents new revolutionary way which enables the new organisations to use a new chance, offered by the modern world of advanced technologies. The role of marketing is specially important for efficient work of economic entities. Marketing is, as a business philosophy or concept, foundation for determining essential business orientation of a company, directed above all on attempting to satisfy the market demands, that is demands of the consumers and society. The process of introducing and providing quality in marketing, within the marketing management process, is based on basic marketing activities, such as – reacting in a certain situation (research of environment, market, consumers as well as power and weakness of the company), setting marketing goals, appliance of strategic and tactic programs, introducing the instruments for measuring, result qualification and revision. By introducing the new methods of business in company's marketing, the sale would increase, the costs would be lower, the quality would be better, communication with a consumer would be faster and of greater quality, and all because of increase of profit, founding of new market and presentation of the alike. The conditions of survival of organisational systems in concurrence market economy would be created in this way.

Key words: marketing, reengineering, bussines process, crisis, management.

1. INTRODUCTION

Most countries, which are going through transition process, our country as well, are in the situation, which describes the state of chronic crisis. In fact, this situation is normal and very logical regarding the size and complexity of the changes brought up along with transition, but at the same time, it is unusual, because our critical time destroys all theoretically known and acknowledged crisis deadlines (about 5 years). Even though we can find many definitions regarding crisis in a company, Krystek's definition can describe the crisis essence in the best way. Therefore, the crisis of the company is unplanned and unwanted process, which is capable to jeopardise or entirely disable possibilities of company's progress, ([1], page 25). The organisation in this situation must undergo through a change, to resort to the new ways of facing the problems, to seek new solutions and new organisational mechanisms and mechanisms to harmonize business operations. Therefore, the crisis is natural and expected consequence of every, and even unsuccessful, business. Great crisis bring dramatic changes in which an individual becomes a stable person on whom you can rely upon. In this reallocation of financial power, wealth, decision, and first of all, knowledge and human resources, many people feel helpless. Experiences from transition, which is much alike present crisis, confirm that only those who had courage for timely actions have succeeded, ([11], page 51).

Business operations in critical period demands applying timely measures. In crisis period, organisations with better management cope with critical situation more easily. In order to successfully transform into the company

concurrent in market, it is necessary for our domestic companies to direct their further development toward the client needs, development of partner relationships, and all that along with new technology appliance. To achieve that, they must first introduce significant changes within the company, regarding introduction of new business operations through completely different company's business organisation.

Entire re-engineering philosophy is based on processes, in contrast to earlier approaches of redesigning an organisation, where the essential place belonged to the business functions and structures. One of the re-engineering's starting points is highly set goals that are to be accomplished by business processes re-engineering. Desire for excellence, that is, desire to be the best in the business manifest these highly set goals. In order for re-engineering to succeed, human resources management is extremely important, at employees' delight ([9], page 291). It is necessary to apply the re-engineering concept on domestic market, especially when small and middle companies are concerned, no matter who owns the company. That is to say, domestic companies must their business operations adjust to the requirements of the modern international market.

As a branch of marketing, re-engineering is very young it emerged in early nineties. Today, re-engineering is very interesting because globalisation is one of the basic drivers of virtual companies, characteristic for old companies that are passing on the new way of business operation by applying re-engineering. The new company structure, as well as business re-engineering, is necessary and emergent change of companies, which in the period of transition and great political changes remained within old business trends, because concurrence is intense and filtered.

For successful re-engineering to marketing is a necessary stage in the preparation recognize the need for changes, plan changes, to provide support to other business areas, to determine the gap between planned and carried out the relevant form and re-engineering teams.

The need for re-engineering of business processes in marketing occurs when it comes to:

- falling sales,
- fall in market participation,
- losing market position,
- customer dissatisfaction and
- leaving customers with other producers, and competitors

2. THE RE-ENGINEERING CONCEPT

Re-engineering is becoming more and more important because of the change rates which are happening in business environment and which occur under the influence of technology development and globalisation. The re-engineering concept is connected with Michael Hammer who used this term for the first time in early nineties. Re-engineering emerged as a response to the Japanese concept of quality management and it represents pragmatic approach in accordance with American way of business thinking, ([3] str.173). According to Hammer, the re-engineering represents the fundamental pre-rationalisation and radical pre-projecting of business processes in order to accomplish dramatic enhancement of critical measures of business efficiency, such as costs, quality, services and promptness, ([5]).

The re-engineering concept is especially interesting for appliance in companies, which are situated in the countries in transition, because it is based on complete redefining of every business process in the company in order to create concurrence ability and conditions for company's growth and development.

In order to succeed in re-engineering of business processes in business transformation of a company, besides clear vision, it is necessary to have courage to even start such a fundamental and radical changes, but it is also necessary to be completely devoted to the work for re-engineering to succeed and also to have enough time at disposal to perform re-engineering in the best possible way, considering that business processes re-engineering is basically composed of three main concepts such as: process orientation (process approach), conduct of radical changes and accomplishment of drastic improvement, ([10], page 300).

Business process re-engineering represents multi sector work, which demands innovative approach to the problem. Generally speaking, the cycle of business improvement of the company must begin with the consumers' needs research and concurrence analysis, as well as goosenecks of the business process itself. After that, it is necessary to determine the mission and goals of the company and begin modification or replacement of the processes, which must be monitored and evaluated from the result's point of view, first of all from the product's characteristics point of view. Finally, the process ends with renewed market's need research. Re-engineering process comprises following phases:

- anticipation of change processes,
- presentation of re-engineering project,
- diagnosis,
- pre-projecting,
- reconstruction,

- process evaluation, ([6]).

Organisation, which is projected on such concept, has characteristics, which are different from the characteristics of traditionally organised companies. Re-engineering enables the company to accept the essence of modern business operations within international scales. Re-engineering is a concept, which along with TQM concept, represents the basis for improvement of business quality in conditions of modern business operations. The author Hammer thinks that these two concepts interlace during life cycle of the process, ([4], page 339).

In radical reshaping of business process, people have the key role. They are simply “the key” of success. That is why many organisations start the re-engineering process from people, their education, ([2], page 967). Re-engineering demands from people to change the way they think, their work approach, behaviour, knowledge and maximum involvement of people who do not have to adjust to the changes, but to create them. Three main important, basic elements of re-engineering are people, technology and processes. People are starting point and source of re-engineering which sets high demands.

The practice proves that radical improvements processes – which are not always based on great investments in technology or organisation’s equipment, can accomplish the essential changes.

3. RE-ENGINEERING AND IMPROVEMENT OF BUSINESS OPERATIONS OF DOMESTIC COMPANIES

There are no written rules, regulations for conducting business process re-engineering, so personal solutions must be found contingent upon situation, and thereby the experiences of other people should be taken into account only as an example. As re-engineering refers only on business processes, two basic questions should be taken into account:

- a. What does the buyer expect from us?
- b. What do we have to change and in which way in order to satisfy the buyers’ needs?

Re-engineering does not represent only automation, even though it often uses technology in creative and innovative way, it does not represent only reorganisation, even though demands the organisational change, it does not represent downsizing (the way of reducing previous size of a company), even though it increases productivity and it is not only quality program, even though it is always focused on satisfying the buyers and supporting processes. It represents a new business model and group of adequate techniques, which should help organisations’ management in company’s business rationalisation in order to keep or increase concurrence.

Organisations are faced with constant effort to improve concurrence in conditions of variable business environment, which carries high level of uncertainty and risk in a way that the need of radical change of basic attitudes, approaches and principals, which is called the new philosophy of the company, is imposed.

External factors of company’s efficiency imply its orientation toward buyers and their needs, along with increase of quality and services, decrease of prices and shortening of delivery time. Concurrence conditions on world’s market demand prompt and continuous change of organisational structure of the company in order to satisfy external and internal factors of business efficiency. Internal factors, that business efficiency depends upon, are making profit while decreasing costs of production, marketing and distribution at the same time. Appliense of information technology and development of managerial information system of the company have key role in achieving greatest outputs of re-engineering.

The authority according to hierarchy should fade, and teamwork with qualified individuals should be introduced. Concurrent, clients and suppliers become partners. Classic organisations are abandoned and new, partner organisations introduced, and connected into virtual organisation through information and telecommunication technology. The scope of changes brought with re-engineering is great, and the way of implementation immediately depends on management ability. The basic idea in re-engineering a company is modelling of company’s organisational structure, which shall support and enable flexible business operation, according to demands of its business environment.

Re-engineering of domestic companies aims to connect the participants in single business process where time and production costs decrease to the minimum. The hardest and the most important thing to change in re-engineering of a company are not technologies and processes, but employees. Changing them, that is, changing the organisational culture is the base on which business transformation should be established.

To conduct re-engineering business process, it is necessary to carry out process and people synthesis, evaluation of people as well as thesis of a new business organisation. These radical approaches should not affect people directly. Organisations’ shift into market-oriented organisations means changing work performances and accepting new methods, techniques and technologies in work performance of every employee in the company, which results in new organisational structure of the company. In order to make this possible, it is necessary to prepare people for changes so that it would not affect their culture and value system.

The greatest part here have managers because only they, through performing and various approaches, can explain to the employees the significance of the changes and point out the results of future work performances.

Therefore, it is necessary to direct all attention to the quality of the management. Capable, educated and highly motivated employees perform re-engineering of business processes. The result of this work represents drastic decrease of time and costs. Experts of different profiles should work together during entire process within mixed multidisciplinary teams. Every participant is aware of its part and must have new knowledge and abilities, which especially refers to managers who are leaders and trainers. The main role of manager is to gather team around the project, which has its phases (idea, projecting, technology, performance, selling), and profit as the result.

4. BUSINESS PROCESSES RE-ENGINEERING MODEL IN MARKETING

Marketing is especially important for efficient work of economic entities. Marketing, as a business philosophy or concept, is a starting point to determine the essential business orientation of a company, primarily directed on satisfying the market's needs, that is consumers and society requirements. Systematic and continuous monitoring and re-examination of marketing goals and execution of set marketing plans is carried out through marketing control. If marketing control detects deviation of real and planned values, it suggests marketing revision, and this quality improvement sometimes requires quantity leap. Companies may sometimes accomplish slight improvements by working harder, but greater improvements require fresh solution and wiser business operations ([7], page 34).

Re-engineering conduct is performed through certain phases, which actually make the re-engineering model. Despite the fact that there is no accordance in literature about the re-engineering implementation method, the most frequent models can be defined. The model (M. Hammer, J. Champy), that consists of following phases: process identification and process map creation, process for changes selection, process understanding, problem definition, process redefining, process development and process institutionalisation; Model (Stephan Towers) whose structure is made from goals definition, process assessment, formation of groups and teams, communication, program formation, external support creation, defining of critical success factors, analysis and diagnosis, technology improvement, redesign and institutionalisation; Model of dynamic re-engineering (D. Morris and J. Brandon) is based on nine connected and mutually conditioned steps (phases) such as project defining, project implementation, election and defining of target areas, process defining, alternative defining and new processes stimulation, defining of certain alternatives consequences, alternative implementation, updating adequate documentation; while Model (James Regan) is based on six phases, such as project initialisation, process understanding, process alternation, analysing decision and implementation assumptions, as well as Model C. Carnell, N. Obolensky, W. Winslow, which basically consists of six or five connected phases. Business process re-engineering in marketing (MRBPm) shown in Figure 1, consists of the following phases:

- organisation of business processes re-engineering in marketing (O),
- structure of alternatives analysis – marketing functions options (A),
- process mapping, process segment analysis, key marketing process analysis and evaluation (relevant market, consumers' needs and desires, integration and delivery) (M),
- design of the process and its segments (D), and
- assessment of business process re-engineering in marketing function (Pk), [12].

Upon gap performance determination, the question whether the stipulated performances were accomplished is asked, and if not, why not, for example, why did market share dropped for 10%. Typical performance measures are process costs, delivery on time, accuracy in order realisation, cycle of time processes and its segments and the others.

Mapping of business processes is performed in the second re-engineering phase, that is, certain graphical description of the process is performed, using standardized symbols, which show operations or sub process segments. The following step is research of business process segment preceded by process of marketing key processes identification. Process duration (time), costs and realisation possibility, substitution and redesign are taken into account while assessing business processes. Defining possibilities for change represents the phase in which questions like whether anything could change when facts and specific goals are taken into account – where do problems come from, dysfunctional processes, parallel processes and other, available resources, time, climate and culture where changes are conducted, are asked.

Re-engineering key effect in marketing related to company's strategic orientation change (system) and introduction of meaningful process orientation instead of traditional organisation in which the most important part have functions. The company distinguishes its advantages and disadvantages through re-engineering, and pushes those processes, which enable competence in relation to other market participants. Processes, which create certain values for consumers are the basis of strategic choice, so adequate changes and assimilations are performed during re-engineering. Business strategy can be in accordance with processes through market development, diverse offer, innovation and alike. Through marketing re-engineering, abilities for high-quality anticipation of consumers needs and development of new products and redesign of the existing ones, and better post-selling services are stronger. Using re-engineering, performances are measured in relation to the best in

category, in industry in re-engineering, using benchmarking the marketing business processes are compared, segments of business processes and its effects on total performances, selection of a partner for comparing and implementation of better practical work and experience is performed.

Re-engineering processes are examined in the phase of new processes vision identification. Consequently, the process is obtained with new content, orientation and characteristics. Marketing business process re-engineering actually starts from the consumers – who are the consumers, what are their needs and desires, how to satisfy them, and what strategy to apply in order to achieve high level of consumers' satisfaction and economic performances? Consumers' satisfaction and profitability are closely connected with product and service quality. The higher quality levels result in higher consumer satisfaction and at the same time, they support higher prices and often lower costs. Buyers notice value while believing that the company provides high-quality products and renders high-quality services along with fair prices. They seek for real product at fair price.

Formulation of fair price strategy means complex analysis. It is necessary to understand consumers' attitudes and motivation in order to find fair price. Traditional company's idea that higher price means higher quality (meaning, "If you do not know what is good, ask what is expensive") is changing because quality levels are becoming higher while prices are dropping. As a result, companies must cut the production costs and transfer the savings on the buyers in the form of lower prices. Value affording to the buyers depends upon product offer and service rendering which satisfy or go beyond buyer's expectations concerning the quality. In order to achieve this, product strategy is necessary which fairly defines needs and desires of target market. The consumers do not stop shopping during the hard times, but they do it much wiser, they seek for value more persistently ([8], page 530).

In the fourth re-engineering phase, modelling of new marketing processes is performed – content, structure, time, dynamics and connection to other processes are determined; process system of management is designed which starts from consumers' needs, over satisfaction measuring and undertaking adequate corrective measures; and, finally, implementation of new processes.

Benefit assessment goes from business process re-engineering toward concurrence ability assessment, market share, cost decrease, productivity increase, yield return on invested capital and corporate abilities to create better market position and market role, increase process flexibility, make processes more simple, reduce process time cycle, loss reduction, greater productivity, higher level of consumers' satisfaction, better services (before and after the sale) and more intense focus on consumers' needs and desires.

Hammer and Champy point out directions for successful re-engineering process: ***Always start with the client*** – recognise that the purpose of all processes is to create new value for the client and make sure that all effort is directed toward satisfying their needs. Set goals that are realizable, because people are always motivated to abandon tradition and start from the beginning only when they are capable of achieving the goals set as a challenge. ***Work quickly*** – re-engineering will not work if performed carefully, it should be carried out before resistance in the organisation prevail. ***Tolerate risk*** – there is no progress without risk, the unknown is always scary, but the greatest risk comes from status quo. ***Accept imperfection*** – re-engineering is iterative process, because when you venture into unknown, mistakes are unavoidable and it is necessary to learn on them. ***Do not stop too early*** – many organisations stop the re-engineering process as soon as they see a slight improvement, this is as bad as to stop the process when first difficulties appear. Endurance and patience are necessary to achieve significant results, ([5], page 55).

5. CONCLUSION

Modern environment where companies do the business is turbulent and uncertain. Rapid changes on world's market offer changes in the third world countries, changes in technology and alike, demand from the company to move more careful and redefine the business philosophy. Speed, quality, innovation, flexibility and low prices are priority goals. However, traditional ways of doing business cannot support these goals entirely. New managerial concepts are emerging as a response to the managerial quest for defining and achieving ambitious goals mechanism and one of them is business processes re-engineering.

The re-engineering necessity arises when other programs for business improvement are not capable of stabilising the system and providing its development. This happens when the series of incremental procedures do not provide desired results. Development of vision and goals is performed in the business processes re-engineering which are based on essential system competence in relation to concurrence, and strategic plans and activities, which strategic capacity and economic success depend upon. Re-engineering goal, area, time, bearers and expected results are determined within planning concept. The process of goal, needs and expected results presentation is carried out within support providing phase of other business areas in order to provide the support of certain organisational levels and lower managers.

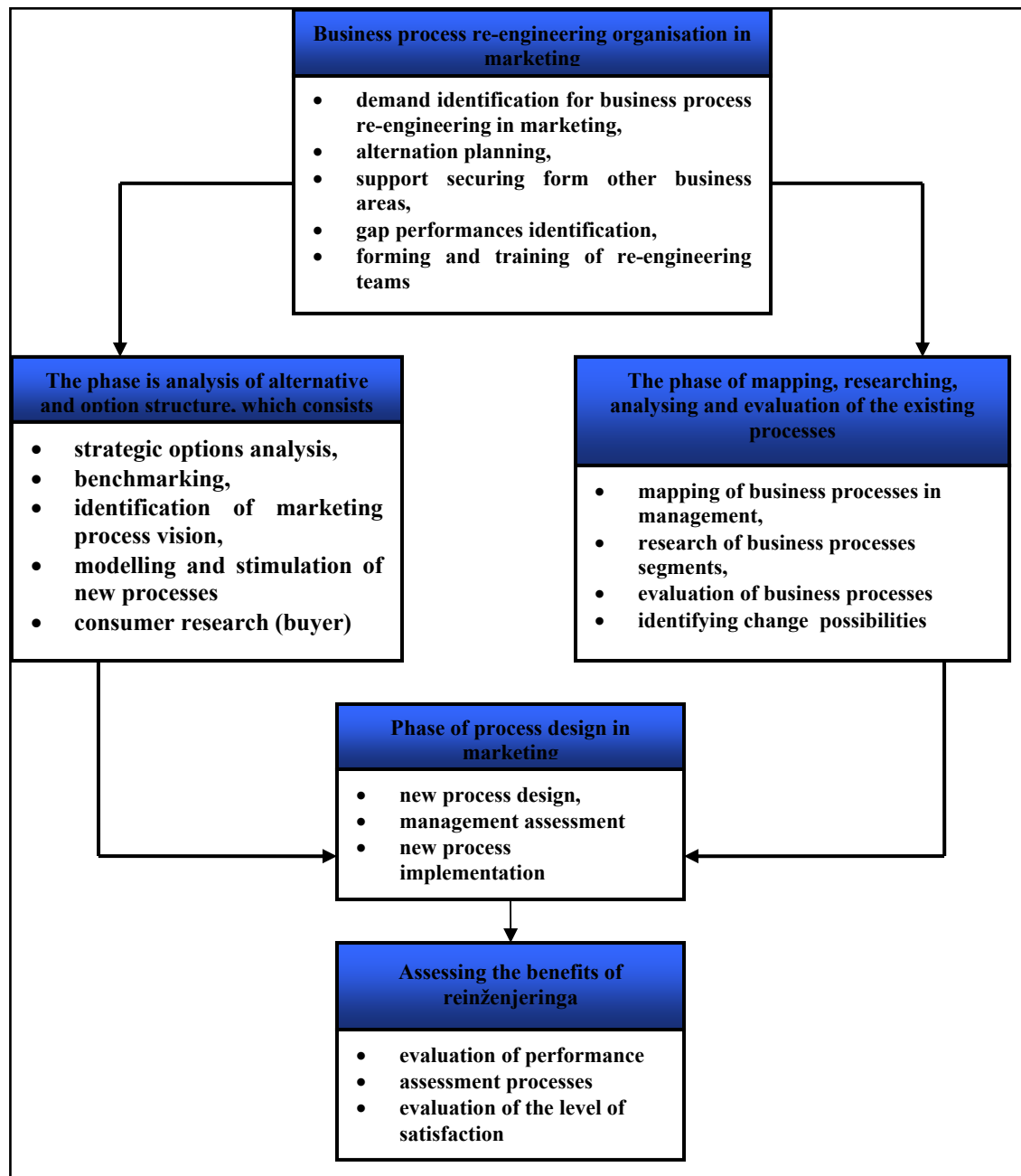


Figure 1: Phase model of re-engineering of business processes in marketing

The word “process” is the most important in defining the re-engineering, and at the same time, it is the most misunderstood word by the company’s managers. Most employees are not “process oriented”. Their focus is on the task, business, people, and organisational structure but not on the process. Every single task in the process is important, but none of them is of less importance for the buyers, if the process is not performed – if the product, which is the result of the process, is not delivered to the buyer. Since re-engineering brings changes, the role of the manager is of great significance for its conduct. The employees are resistant to the changes, so it is necessary that managers explain the change to them. Marketing managers must have vision of the company which should be passed on to others and make it real.

Re-engineering success does not have anything with luck, but it does have with ability. If executives decide to start re-engineering process without knowledge how to continue or without knowing the success requirements, it will not succeed.

REFERENCES

- [1] Adamović Ž., Sajfert Z., Reinženjering, Univerzitet u Novom Sadu, Tehnički fakultet "Mihajlo Pupin" Zrenjanin, 2009.,
- [2] Bahtijarević Šiber F., Management ljudskih potencijala, Golden marketing, Zagreb, 1999.
- [3] Đorđević D., Đekić I., Osnove upravljanja kvalitetom, Teagraf, Beograd, 2001.
- [4] Grozdanić R., Đorđević D., Osnove ekonomije, Univerzitet u Novom Sadu, Tehnički fakultet "Mihajlo Pupin" Zrenjanin, 1999.,
- [5] Hamer M. Hamer, M., Champy, J. Reengineering the Corporation, Harper Colilins Book, New York, 1993.
- [6] Hamer M. The Reengineering revolution handbook, Harper Collins Publishers Inc, London, 1993.,
- [7] Riznić D., Strategija marketinga proizvođača bezalkoholnih pića, Napredak, Kragujevac, 2003. godina.
- [8] Riznić D., Manić M., Dukić A. Koncept kvaliteta marketinga u uslovima krize, Zbornik radova 12 Međunarodna konferencija ICDQM Upravljanje kvalitetom i pouzdanošću, Beograd, 2009. god.
- [9] Sajfert Z., Nikolić M., Proizvodno poslovni sistemi, Univerzitet u Novom Sadu, Tehnički fakultet "Mihajlo Pupin" Zrenjanin, 2007.
- [10] Sajfert Z., Organizacija poslovnih sistema, Univerzitet u Novom Sadu, Tehnički fakultet "Mihajlo Pupin" Zrenjanin, 2006.
- [11] Urošević S., Uloga menadžera u poslovanju u kriznim vremenima, časopis Lider-Direktor, časopis za teoriju i praksu menadžmenta, Novi Sad, broj 11, godina III, jun-jul 2009.,
- [12] www.mfkg.kg.ac.rs/index.php?option=com_docman...

THE WORLD ECONOMIC CRISIS AND ITS INFLUENCE ON SERBIAN TRANSITIONAL ECONOMICS

Goran Vasić

Faculty for Education of the Executives, Belgrade, SERBIA

1. INTRODUCTION

The current crisis, as well as the previous ones, appears as the lack of regularity of certain functions in the financial system, not only in the USA, but also in other leading countries of the economic world. On the other hand it is caused mostly by the psychological factors. Concerning the fact that each crisis is supposed by diminution of purchasing power, nevertheless the model to generate the financial crisis is recorded by several phases [8]:

- A **displacement** which represents the reaction on the external change making the investors frenetic and ready to invest (e. g. the discovery of the Internet, the wars and incoming of foreign investments).
- A **boom**, caused by the augmentation of credit financing and expansion of money, granting the credit to inferior debtors.
- An **euphoria** to which guides a boom where the risk and expected incomes are perceived in the wrong way, the same as the false evaluation of financial instruments is made.
- A **profit taking**, as regular takes part "on the top of market" where well informed investors withdraw their deposits causing the end of increase of prices in order to guide to the next sequence of development of crisis.
- A **panic and disaster** are marked by a deflation of credit instruments, by a mass withdrawing in cash money, and also by the dramatic decrease of financial instruments which are evaluated inferior as they really are.

As the results of all these factors, in 2008 an influx of bankruptcy of leading mortgage and investing European banks, followed by powerful intervention of central banks, caused by a very sudden banking loan financing, brought to the dynamic increase of interest rates.

Concerning this situation, it was clear that the referent interest rates of central banks had not been relevant to make their own decisions on other banks during those critical moments.

2. THE CAUSES OF FINANCIAL CRISIS ON THE GLOBAL LEVEL

The financial crisis which makes disaster on the global economics saw its beginning in breaking through of the American market of houses and flats financed by subprime mortgages. Banks of the European Union, during the auction for a dollar currency received by the central bank, were ready to pay the interest rate of 11% that means five times more than in the period that preceded the crisis. Naturally, the banks charged proportionally their loans to enterprises. Facing this fact the enterprises become reserved in spending money. They keep it making supplies, giving up the works and investments planned to be done, and first of all at using supplies in order to regulate their debts.

In order to be against the recession, the central banks of the USA, the EU and Great Britain were successively making their primary interest rates.

All these data make the supposition of the MMF real that the financial decrease of production in the well developed parts of the world, and increase of import will be reduced more than 50 %. The global world trade manifests a decrease of its increasing rate from 4, 7 % in 2008 to 1, 8% in 2009.

3. THE EFFECTS OF CRISIS ON FINANCIAL COURSES IN THE WORLD

The international economic scene will be changed in several directions :

- The external financing will be more different and more expensive than it used to be, that means the battle for a free export in the current markets will be stronger and the conquest of new markets will directly depend on the rival capacity, which will be firstly determined by local dependences, and afterwards by the efficiency of production in the border sense.
- The small and not so developed countries will be faced to the problems that derived from the actual financial crisis and their consequences which move from the monetary sphere to the material one as soon as possible. Their export of goods and services will be slowed down because of a contraction of world economic growth and also the import of capital will be more difficult and certainly more reduced than it used to be where those countries were forced into reduction of foreign trade deficit or into scattering of their foreign currency reserves.

4. THE SOURCES OF CRISIS IN SERBIA

The manifestations of negative repercussion of the actual financial crisis at the financial sector in Serbia are :

1. A rise of interest rates of credit financing
2. An incapacity of a sector of enterprises to use the inexpensive cross-border credits with a guarantee of own national banks as it used to be.
3. A reduction of a supply of foreign currencies on that basis
4. An enormous decrease of prices for the shares on the stock market
5. The other factors

Consequently, there will be an increase of interest rates concerning credits in Serbia, as a result of a competition growing on the market of deposits, that is directly determined by the oppression of headquarters of numerous foreign banks, nowadays present in Serbia, and the next increase of loans and other placements would be founded by the deposits drafted in Serbia.

Today, a great number of banks have been offering to citizens the interest rates for term accounts in saving money in a euro currency with a deadline of 12% annually, from 8% to 9 % that will inevitably produce a rise of rates for loans.

5. THE INFLUENCE OF GLOBAL CRISIS ON SERBIA

Serbia and its financial institutions have not been directly and significantly exposed either to the fictitious claimed assets generated in the USA, securities issued on their basis, or to the instruments of institutions engaged in these affairs to the greatest extent.

However, the consequences of these causes of the crisis, being remote from us, can be reflected in Serbia in the following:

- Short-term effects of the original crisis insolvency in international financial markets were reflected on Serbia in a sudden, but temporary, rise in interest rates. However, that transitory shock caused a delay in foreign investments as well as a delay in inland demand. Such instability along with increase in domestic interest rates causes recessionary consequences for Serbia.
- A drastic decline in credit activity and general decrease of liquidity of all financial instruments are being alleviated by massive measures of stimulating liquidity worldwide which has been reflected in the fall in interest rates. Trust has not been developed, though. As a rule the lack of trust affects those considered as risky in the international investors' eyes most, and those would be so called emerging markets.

Certainly, Serbia also could be mentioned as one of the risky markets; although a relatively prompt and repeated decrease of interest rates caused by interventions of the state, however, as a result, there is the increase of *risico premia* regarding the economics in a development, especially in states of Eastern Europe.

It is evident that interest rates are not in an increase in the world, but they are in Serbia . As a consequence, the difficulties about the ending of a privatization should be expected and also the potential realization of lower prices than they were supposed to . The increase of risk spread for the risk of investments of markets in development is the biggest for the Eastern European markets. In other words, the financing of Eastern Europe becomes more expensive in the global market. Resulting the situation, it is real to expect the decrease of direct foreign investments and also the mortgage in growth from foreign states, because of a rise of a premium regarding the risk of each country individually. As a consequence it will cost Serbia and its enterprises very much. However, the main challenge is the topic on that we are very sensible – the exchange rate.

1. The stability of exchange rate is not a product of the prices stability and not at all of the export-import balance. In Serbia, the stability of exchange rate is supposed to be a condition for the relative stability of prices.
2. Serbia does not base the stability of its exchange rate relying on strong export economics which generate the incoming of foreign currencies. On the contrary, Serbia bases the stability of its exchange rate on maintenance of the continual incoming of money received from foreign countries on the basis of payments, credits, investments and a speculative (hot) money.
3. The essential variability of the exchange rate may be able to cause a significant inflationary oppression and a spread credit risk to debtors who pay credits off with a foreign currency clause.
4. Under these circumstances of a financial crisis, the incoming of money and capital from foreign countries is reduced and it can be easily proved that it is insufficient for a support and maintenance of stability of exchange rate on this level.

6. MISTAKES IN CREATING THE FINANCIAL SYSTEM AND NOTES FOR SERBIA

Regarding the whole situation, it can be stated that in Serbia there have been many misses among which the most important are:

1. Reforms in real economy of Serbia were slower than supposed to, and without regularly directed stimulus towards development of export industry: privatization was late, regulations within bankruptcy and liquidity, the whole spectrum of possible stimulating measurements in economy politics for growth and development of export industry and employment was not provided.
2. The accent of economy politics was put exclusively on stability of exchange rate, believing that in circumstances of currency stability there will be also the stability of prices and that these are the most important conditions for economy development.
3. Significantly higher domestic basic “core” inflation than inflation in Euro zone had to be clear signals to leave behind the politics of forced stability of foreign exchange.
4. Lack of decreasing deficit of trade balance, which has increased during years.
5. Speculative capital attracted by high interest rate (especially by REPO rate) supported stability of foreign exchange, without taking into consideration the fact that at the moment of its potential sudden rise, it can cause big damage as endangered macroeconomic stability of the country.

From the above it can be stated that the strategy of defending at the existing conditions would reduce to elimination of inconvenient psychological effects and stimulating of sound sources of stability support and economy growth, saving stimulation and investments in the export industry, as well as to a complete and lasting free taxes on interest rate, and also to decrease of obligatory bank reserves on foreign exchange savings of citizens.

The aim of these measurements would be encouraging savings and entrance of thesaurus savings of households into official bank flowing, which would lead to increased offer of foreign currency, support stability of foreign exchange in domestic sources and stimulate saving on the account of spending, i. e. decrease inflation pressure of aggregation demand.

All forms of savings and investments should be extracted from tax base on incomes of citizens, because in this way citizens would be additionally stimulated to voluntary decrease their spending and save and invest more. Savings gained in this way as well as investments through institutional investors like: insurance companies, additional pension funds, investment funds, should be directed towards productive investments like export industry and infrastructure. The government should announce the program of loan guarantee which will be approved to economy so that loans for export industry will be given guarantee. High governmental guarantee could be the base, so NBS regarding these low-risk loans could demand lower amount of regulatory capital from banks. In case of nonpayment of duties by companies and activation of state guarantee, the government could in return apply appropriate packets of actions to sell and then use a part of that money to cover potential loss.

An important factor in the strategy of defending financial crisis are also taxes free for foreign direct “Greenfield” investments in export industry. These taxes free should be greater for a larger number of new work places and for investments in undeveloped regions in Serbia. These and alike investment benefits for foreign direct investments in Serbia should be actively advertised with organized campaign in the international media and economical gatherings abroad.

In addition to, a state fund should be created as financial help to debtors, which would in case of correction of foreign exchange due to foreign exchange clause of their loans, find themselves in the situations of inability to pay debts.

The aim of this measure would be to prevent linear growth of loan risk for debtors in case of correction of foreign exchange which could potentially be dangerous for stability of the bank sector and which has the key importance for the development of economy in our country.

7. CONCLUSION

Taking into account that above we mentioned most of causes for development of crisis, we come to the conclusion that applying the quoted measures would lead to confidence in the financial system, stimulate positive conduct regarding saving and investing, and flows of money would be redirected – from spending to investing in investments in the export industry which opens space for new work positions.

Previous paradigm that a country can develop on the basis of stable foreign exchange, restrictive monetary politics import and services, must be put behind, which brings us to new attitudes mentioned in the beginning, that the assumption to every crisis is the lower purchasing power.

It is necessary to turn to classical development of industry, state investments in infrastructure and export. On the base of such economy structure, stability of foreign exchange will appear as a consequence of sound economy. In this way, Serbia would get rid of foreign exchange fetish and it could be formed freely, under the effects of offer and demand. This way would lead us to the position that we don't have to spend foreign exchange reserves or take restrictive monetary politics at dusk of recession.

REFERENCES

- [1] Dušan Vujović, Globalna finansijska kriza (Poruke i pouke za tranzicione privrede)
- [2] Global Financial Stability Report, 2008, *Financial Stress and Deleveraging: Macrofinancial Implications and Policy*, IMF, World Economic and Financial surveys, october 2008, Washington DC, s. 44.
- [3] Narodna banka Srbije, „Izveštaj o inflaciji“, novembar 2008. [www. nbs. rs](http://www.nbs.rs)
- [4] Đukić, Đ. (2008), „Dramatičan rast prekograničnih kredita u Srbiji – lice i naličje“, *Biznis&Finansije*, Finansije top 2007, str. 20-21.
- [5] Heilbroner, R. & W. Milberg (1997), *The crisis of vision in modern economic thought*, Cambridge University Press, Kembridž
- [6] Đukić, Đ. (2007), „Analysis of Effects of Foreign Bank Entry on Credit Interest Rate Behavior in Serbia“, *Panoeconomicus*, No. 4, pp. 429-443.
- [7] Schumpeter, J. A. (1934), *Theory of Economic Development*, Harvard University Press, Cambridge, Mass.
- [8] Minsky, H.P. (1974) “The modeling of Instability: An Introduction” *Modelling and Simulation* Columbia University Press, New York.

CONTEMPORARY FINANCE AND ACCOUNTING APPROACH TO RELEVANT COSTS IN TRADE

Dragan Vukasović

Solid Export, Subotica, SERBIA

***Summary:** Prosperity commercial enterprises are strongly focused on customers on the occasion of decision making in modern business managing conditions. Business managing analyze should give more attention on profitability analyze of customers that is consisted of reporting and analyzing revenue of the customers and relevant costs that consider customers that is buyers. Provided with such information, managers make sure that the customers, which significantly contribute to profitability of the company have the appropriate level of attention from the commercial company. Customer or buyer analyze in this piece of work is concentrated on relevant costs and relevant income/revenue concept choice among all alternatives of modern business managing conditions. Relevant costs and relevant incomes in contemporary managing and accounting approach are those expected future costs and expected future incomes that are different by considered alternatives. Two key aspects of this given definition, in order for it to be relevant, are: costs and incomes should appear in future and they should differ by different alternatives. Difference analyze, done with the help of managing accounting, on income and costs considering customers, that is buyers can provide important information about why there are some significant differences in profitability among particular customers, that is buyers.*

***Keywords:** Business analyze, profitability, relevant costs, contemporary modern approach to customers buyers*

1. INTRODUCTION

Management of modern commercial enterprises is pervaded with a continuous process of rational financial-business decisions making, starting from the strategic ones, through the tactical to the operational decisions that create a positive working atmosphere in which the company and its employees have the ability and incentive to reach the highest achievements. Therefore, the business and financial decision-making is often in the professional literature put in the first plan as a key management activity. The high level of responsibility of managers to owners and other members of the company, but also to the wide social and economic community forces them to seek a reliable basis for making a number of decisions in all areas of the business life of the company. Substantial assistance to all mentioned, the managers find in the timely information in today's uncompromising competitive fight considered a very important strategic tool. Since managers are often not able to directly monitor all the activities that are taken in their area of responsibility, they are forced to obtain the necessary information in a conversation with their subordinates and by formal reports that are in good manner owed to the company accounting. In all of this, there is a very important role of management accounting, which due to its direct connection with all levels of control in the possibility to provide the management with necessary information about relevant costs and thus enable a completely new, modern approach to the analysis of the cost of the trade.

2. THE ROLE OF ACCOUNTING INFORMATION IN EVALUATION OF CUSTOMERS

Use of accounting information in decision-making is a coexistent economic issue in the modern business conditions in the trade. Cooperation with managers in the decision-making is a basic function of an accountant in the accounting trade companies. Customers have a financial value, but the traditional accounting systems can not calculate that value. First, these systems can not distinguish to which values the values correlate. Revenues from new customers are put in the same basket with the income of the older, more valuable customers. Or the high costs related to low profit customers are added to the minimum cost of high profit customers. Managers can calculate sums and averages, but a lot of information about the truly confirmed profitability and the expenses of

the customers are hidden below those averages.

Some commercial companies actually follow the gross profits from each customer. Additional costs, such as those included in the sale, management and customer service, are much harder to track. Companies have difficulties with the monitoring of capital costs associated with every customer that emerges from any fallen behind payment, whether from the special inventory listing, or the costs associated with failures. Two customers can have the same gross profit, but one of them is non-profitable if he rarely buys, requires constant service and falls behind in paying. Accounting systems summarize past transactions. In contrast, the value of buyers must be overlooked forward, with unifying profitability from the past, present and future purchases.

In fact, the value of customers consists of adding together the total income related to customer and subtracting all related production, service and other costs. If companies can separate income, expenses and cash flow for the quarter comparison, it is more logical to disjoin income, expenses and cash flow per customer[3].

Managers often follow the method called the model of decision for a choice between different options of activities. Decision model is a formal method of selection, which often includes the quantitative and qualitative analysis. Trade accountant cooperates with the manager and presented him and analyzes relevant information and alternatives that lead to decision-making process.

The consequences of the alternatives are divided into two broader categories: quantitative and qualitative. Quantitative factors are the results measured in numerical terms. Some quantitative factors are financial, which means that it can be expressed in financial terms. Examples include the direct costs of material, direct production costs and marketing. Other quantitative factors are non-financial, which means that they can be measured numerically, but can not be expressed in financial terms. Reducing the time for inserting new products of the trading company into the sale is an example of quantitative non-financial factors. Qualitative factors are results that can not be measured in numerical terms. Example to that is the moral of employees [1].

Analysis of income from customers in the commercial enterprises should be supplemented by the following as many details that speak about why the income of individual customers differ. Limiting the amount of costing discount can be crucial in maintaining the profitability of customers. Costing discount could be a consequence of several factors, including the size of procurement, customer that buys more gets a higher discount, and the fact that having the customer, and we have the marketing use to help us promote other sales. With following discount per customer, we can provide important information about ways of improving customer profitability. Sales sector which has a poor record of its customers in the prediction of future growth of customers should have additional training in forecasting sales. Income from customers in the trade is only one element of customer profitability. Now we shall consider another element, costs related to customers. Cost hierarchy related to customers classifies costs that are related to customers in the different groups based on the costs of the different types of cost carriers or based on different degrees of difficulty in the determination of "cause and effect" ratio.

We can identify five categories in the hierarchy of the cost regarding customers:

- Cost regarding the customer on the level of output - resources that are spent for the implementation of activities in the sale of each unit to the customer.
- Cost regarding the customer on the group level - resources that are required for the implementation of activities related to the group of units sold to customer.
- Costs of preserving the customers - resources that are requested on the company's activities initiated to support individual customers, regardless of the number of units or groups of products delivered to customers.
- Costs of distribution channels - resources spent on activities related to the distribution channel, and not to each unit of product, product group or customer.
- Costs of the corporation - resources spent on activities that can not be tracked to an individual customer or distribution channel [5].

Costs at the level of consumer include the costs of sold goods and expenses that occur in the first three categories of customer costs hierarchy - costs of the buyer at the level of output, costs at the level of consumer groups and the costs of preserving customer.

The main factor managers should consider when deciding how to allocate resources between customers, in other words assess their value, are:

1. Profitability - short-term and long-term,
2. Probability that the buyer will be kept: The more likely that customer will continue to do business with the company, the bigger his importance.
3. The potential of customer growth. This factor is under the influence of probability of growth of customer's production and the possibility of customer growth.
4. Increase in overall demand from well-known customers who have a good reputation.
5. Ability to collect experiences from customers [5].

Managers should be particularly careful when deciding on leaving the customers. Report on long-term profitability may give wrong signals about their short-term profitability. Not all costs attributed to the customer are changeable in the short term. Abandonment of the currently non-profitable customer will not necessarily eliminate all the costs attributed to the customer in the short term.

3. ANALYSIS OF DECISIONS ON REDUCTION OF NUMBER OF CUSTOMERS

When you complete the analysis of customer costs the company must make a decision on adding new customers or leaving out the old ones. We will illustrate incremental income and incremental cost analysis for these decisions using customers instead of products as the subject of cost analysis.

Example: a shoe factory 'Solid' provides shoes to three local retailers, Solo, Orto and Panda. table 1 shows the representative income and expenses of Solid's customers for the next year. Additional information about the cost of Solid for different activities at various levels of the hierarchy of costs is:

1. Costs of employees who handle materials vary depending on the number of pairs of shoes delivered to customers.
2. Solid reserves space in a different repository to storage shoes for different customers. Equipment for handling materials in space and depreciation costs of equipment is determined by individual customer accounts. Any equipment that is not in use remains unused.
3. Solid distributes storage rental charges to the account of each customer based on the size of storage space reserved for the customer.
4. Marketing costs vary depending on the number of sold customer visits.
5. The cost of the purchase order may vary depending on the number of purchase orders; delivery and passing on costs vary depending on the number of deliveries.
6. Solid distributes fixed general administrative costs by customers based on income from the customers.
7. Solid distributes their fixed costs of common services to the selling services based on the number of square meters of each sales service. Solid distributes these costs to customers based on the income from customers.

Table 1. Analysis of profitability of customers of 'Solid' shoes factory

	Customer			
	Solo	Orto	Panda	Total
Income	450.000	400.000	600.000	1.450.000
Sold goods expenses	300.000	260.000	460.000	1.020.000
Costs of employees' work with materials	35.000	16.000	40.000	91.000
Costs of work of equipment materials written off as an amortization	10.000	8.000	25.000	23.000
Earnings	15.000	10.000	10.000	35.000
Marketing costs	12.000	8.000	12.000	32.000
The costs of purchase orders and delivery process	11.000	18.000	33.000	32.000
General administration costs	25.000	14.000	14.000	53.000
Distributed fixed costs of common services	5.000	19.000	27.000	31.000
Overall costs	413.000	353.000	621.000	1.387.000
Operating income	37.000	47.000	(21.000)	63.000

Table 1 shows the loss of 31,000 monetary units on the account of Panda. Solid's manager believes that the reason for the loss is that Panda will have many small orders, which will result in large purchase orders, delivery processing, materials handling and marketing activities. Solid discusses several possible actions related to Panda's account - the reduction of their own support costs to Panda, through increasing efficiency, the abolition of some services offered to Panda, or Panda price increase. The following analysis focuses on the business income, which affects the shutting down Panda's customer.

The key question is: What are the relevant incomes and relevant costs? We have information about the effects of reduction of various activities related to Panda's account:

1. By excluding customer Panda we will save up on costs of goods sold, work on handling of materials, marketing, purchase order and costs of deliveries processing, which appear on Panda's account.
2. Excluding customer Panda will mean that the storage space that is currently used by products for Panda and equipment for handling materials used for their manipulation will stay out of use.
3. Excluding customer Panda will not affect fixed general administrative costs or costs of common services.

4. ANALYSIS OF DECISION ON INCREASING THE NUMBER OF CUSTOMERS

In order to make a decision to increase the number of customers we will use data from the previous example. Table 2 column 1 presents the incremental income and incremental costs calculated by using information from table 1 column Panda. Solid's operating income will be 65,000 monetary units lower if the account of Panda is excluded and savings on costs because of excluding the customer Panda in the amount of 545,000 will not be

enough to compensate the loss in income in the amount of 600,000, so that the management of Solid will decide to keep Panda's account.

Amortization is a past cost and therefore it is irrelevant, while the lease, general administrative, as well as the costs of common services is relevant, because they are future costs that will not change if the customer Panda is excluded. Especially pay attention to the distribution of general fixed costs such as costs of common services. We should always ignore the amounts distributed to sale services and individual products. The key question that should be placed in the decision about whether the costs of common services are relevant or not, is: 'Do the expected total costs of common services decrease by excluding customer Panda? In our example, they do not decrease and therefore all costs are irrelevant. If the expected total costs of common services decrease by excluding customer Panda, the savings will be relevant even if the amount distributed to Solid remains unchanged.

Suppose that if the company Solid excludes customer Panda, it can lease a storage space for surplus 60000 m.u. per year. Then the 60,000 m.u. for Solid will be opportunity costs of continuous use for storage for Panda's services, Solid would then get 15,000 m.u. with excluding Panda's account (80,000 m.u. of release income minus the lost business income of 65,000 m.u.). Before making a final decision the Solid's management must examine whether the customer Panda can become more profitable, so that the supply of products for Panda can earn more than 20,000 monetary units, how much they can get from renting. Solid's management also must consider qualitative factors such as the effects of decisions on the Solid reputation in the development of stable, long-term business relations.

Let us suppose that, in addition to Solo, Orto and Panda, Solid, the company made the evaluation of profitability of including the fourth customer, Kožeks. Solid already has annual costs in the amount of 36,000 for renting the warehouses and 48,000 for general administrative costs. These costs together with the actual total costs of common services will not change if the Kožeks is included in the list of customers. Kožeks is a customer of very similar profile as Panda. Let us suppose that the company Solid forecasts income and the business costs with Kožeks the same as those represented in the Panda's field in table 1. In particular, Solid should get the equipment for handling materials for Kožeks that cost 25000 monetary units with life span of one year and the cost of alienation, which is 0. The question is whether Solid should include Kožeks as a new customer?

Table 2. Analysis of incremental incomes and incremental costs with the exclusion of the customer Panda and inclusion of the customer Kožeks

	Incremental incomes and incremental expenses from the inclusion of customer Kožeks	Loss in income and savings in the cost of the withdrawal of customer Panda
Incomes	600.000	600.000
Cost of sold goods	(460.000)	460.000
Cost of employees' work with materials	(40.000)	40.000
Costs of work of equipment materials written off as an amortization	(25.000)	0
Earnings	0	0
Marketing costs	(12.000)	12.000
The costs of purchase orders and delivery process	(33.000)	33.000
General administration	0	0
Costs of common services	0	0
Total costs	<u>(570.000)</u>	<u>545.000</u>
The effect on operating income (loss)	30.000	(65.000)

Table 2 column 1 shows that incremental income surpasses incremental costs for the 6000 NJ. The company Solid would like to include Kožeks as a customer. The lease, general administrative expenses and costs of common services are irrelevant because these costs will not change if the Kožeks is involved as a customer. In any case, the cost of procurement of new equipment for the fulfillment of Kožeks' purchase orders (write-off of amortization in the amount of 25,000 in table 2, column 1) is included as a relevant cost. That is because this cost can be avoided if the company Solid decides not to work with Kožeks. The cost of depreciation is irrelevant in deciding whether to exclude Panda as a customer (because it is a past cost), but the costs of procurement of new equipment that will then be discharged as the amortization in the future, are relevant in deciding on the inclusion of Kožeks as a new customer.

5. CONCLUSION

In this paper, which deals with the modern financial accounting approach to the relevant costs, we have focused on the future, because every decision-making process is related to selection of courses of action in the future. Nothing can be done to change the past. Also, future costs and incomes must be distinguished between alternatives. Because costs and incomes in trade that are not different will not be important and therefore will not affect the decision we bring. The key question that is always asked is: what difference will the action make? In this paper we showed an alternative to inclusion of new customers as well as an alternative to excluding current customer, and the impact of both alternatives on the financial result of the company. By analyzing different scenarios, in other words different market situations, we came to different projections of the financial effect of the inclusion and exclusion of the consumer distribution to the business that we took as an example. Analysis of relevant costs generally points out quantitative factors, which may be expressed with financial terms. That is because qualitative factors and quantitative non-financial factors can not be easily measured in financial terms, this does not mean that they are not important. Managers must constantly give appropriate importance to these factors that will contribute to the analysis of customer from these relevant aspects.

REFERENCES

- [1] Belak, V., *Profitni centri i interna ekonomija poduzeća*, Računovodstvo, Revizija i Financije, Zagreb, 1994.
- [2] Berman, B., Evans, J., *Retail Managament: A Strategic Approach*, Printice Hall, New Jersey, 2004.
- [3] Engle, R., Russel, J., *Analysis of high frequency financial data*, University of Chicago, 2004.
- [4] Horngren, C. T., Datar S. M., Foster G., *Cost Accounting, A Managerial Emphasis*, Prentice Hall, New Jersey, 2003.
- [5] Horngren, C. T., Harrison W., *Accounting*, Prentice Hall, Englewood Cliffs, New Jersey, 1989.
- [6] Hronee, S., *Vitalni znakovi*, New York, American Menagment Association, 1993.
- [7] Kloppenborg, T.J., *Project Management – A Contemporary Approach*, Canada, South-Western Congage Learning, 2009.
- [8] Larson, K. D., P.B.W. Miller., *Fundamental Accounting Principles*, Richard D. IRWIN, Boston, 1993.
- [9] Lucey, T., *Costing*, Continuum, London, 2002.
- [10] Turner, J.R., *People in Project Management*, Abingdon, Oxon, GBR, Gower Publishing Limited, 2003.

REGIONAL DEVELOPMENT AND CLUSTERS IN BOSNIA AND HERZEGOVINA

Dragica Zirojević¹, Evelina Danilović², Nevzet Dervić³

¹ Kordija d.o.o., Banja Luka, BOSNIA AND HERZEGOVINA

² MUP RS, Banja Luka, BOSNIA AND HERZEGOVINA

³ Aprofit, Bosanski Petrovac, BOSNIA AND HERZEGOVINA

***Summary:** No doubt that clusters which represent contemporary model of small and medium enterprise development, deserve extra attention, and for that aim, it's necessary that all potential partners of clustering get involved in their function, and that is prerequisite for a successful development. In that way, BiH will have real chances to accept offered model of development, which will allow a various beginners to start in that region, which can give the best financial and development results only in clusters.*

***Key words:** cluster, region, market, competition.*

1. INTRODUCTION

Modern regional politics gives strategic importance to industrial restructuring and other structural aspect in regions which do not follow development. Some measures of regional politics are very intensively applied in developed regions, in order to further increase their business and technological competition and enable that they become the 'engine' of development of other areas. It is confirmed by experiences of Europeans, and other regions whose success in great measure can be noted to very sophisticated and new technologies.

Bosnia and Herzegovina has based its regional development in recent years on revival of areas hurt by war, most of all objects of public, communal, health, traffic and society infrastructure. Current moment and priorities of development of Bosnia and Herzegovina demand changes and different regional politics. Defining and conducting such a politics is an obligation of Bosnia and Herzegovina towards EU. It is specially important since EU as one of the key criteria for membership emphasizes that the member country must be able to sustain all competitive pressures on a unique market and that there regional politics has a special role. Regional politics from the aspect of raise of level of competition is also contribution of fast process of joining EU.

2. CURRENT REGIONALIZATION IN BOSNIA AND HERZEGOVINA

By Dayton peace treaty, Bosnia and Herzegovina was divided on Federation of Bosnia and Herzegovina, Republic of Serbian and District of Brcko. For this regionalization it is characteristic that political and national criteria is preferable, while economic, geographic, infrastructural, spacious and historic aspects were not taken into account.

European Union, European committee, World Bank, UNDP, OSCE, Department of high representative of OHR, EDRB, European Bank for revival and development, USAID helped foundation and work of Regional developing agencies in Bosnia and Herzegovina.

Regional developing agencies were founded in period of 2001-2003. and include about ninety municipalities in Bosnia and Herzegovina. They were founded on the District of Brcko (RABDA), Tuzla kanton, Mostar, Gornjo-drinskog area (REDRIN), Sarajevo economic region (SERDA), Banjaluka (BLERDA), Northwest Bosnia, Birac, Posavska region. The main goal is the strengthening of competition advantages of region, finding optimal

measures and regional potentials, mobilization of actors and capacities of region, development of consciousness and change of relations, strategic planning and realization of program [2]. Regional developing agencies depend of economic regions and quality of relations with municipalities they cover, quality of relation with other actors of development in surrounding, inner capacities (innovation, knowledge, experience, development of technology) and recognition of potential partners and surrounding by fulfilled results.

Regionalization and rules of regionalization in economic theory and economic politics are of strategic interest for Bosnia and Herzegovina.

In Bosnia and Herzegovina the question of application in EU NUTS standards is actual. Starting from constitutional, socio-demographic, administrative, infrastructural and financial data and arguments of Bosnia and Herzegovina in conditions of application of EU NUTS standards as unique whole, should be put in the first regional level NUTS 1 –frame, and in the second level NUTS 2 –entities RS and Federal Bosnia and Herzegovina. The third regional level NUTS 3 would be inside entities which should be defined according to the needs and characteristics of its parts.

2.1. Recommendations for economic development of regions

Basic goals of regional development of Bosnia and Herzegovina are [2]:

- Sustainable development of local regional communities for economic and social stability of society,
- Development of human resources,
- Optimal usage of natural resources and ecological development,
- Development of small and middle companies and business surrounding through easier access to technologies, sources of finances, market information etc.

On Figure 2.1. is shown matrix of goals, indexes and recommendations of regional development.

GOALS	INDEXES	RECOMMENDATIONS
Sustainable development of local and regional communities	Unemployment Employment Sources of income Education Export	Improvement of local developing initiatives Development of clusters Enabling country and regional administration Creation of statistic basis Strengthening of business component of development in spacial planning and government of space
Development of human resources	Education Unemployment Employment Sources of income	Improvement of local developing initiatives Development of clusters Enabling state and regional administration
Perservance of space, its optimal usage	Sources of income Education	Strengthening of business and planning and governement of space
Development of certain sectors of small and middle companies and business surrounding	BDP/person Sources of income Export Education	Improvement of developing initiatives Development of clusters Law frame Forming institutional structure Development of financial mechanisms Enabling of state and regional administration Application of notions Making territory units bigger

Figure 1: Matrix of goals, indexes and recommendations [3]

3. DEVELOPMENT OF CLUSTERS IN BOSNIA AND HERZEGOVINA

Private initiative and the Association of businessman represent important factors for foundation of clusters. For the development of clusters, state and local communities have promotive role, but besides that it is necessary:

- Determine territory and sector potential for the creation of clusters, as well as
- Improve connection between key actors, investors, consumers and consultants.

Tendencies of development of cluster in the world should be accepted right away. But, since concept of development of cluster is tightly connected with the economy of the region, it can not be included without active participation of local and regional government. It means that there must be real infrastructure of legal frames and measures of economic politics. It is known that in Bosnia and Herzegovina there are many inused capacities, that could be used as starting bases for development of clusters, but in them companies which are in the net must get better conditions for work.

In the Republic of Serbian, cluster projects will be proposed by association of businessman, Agency, net of local agencies together, which are all of regional character and are in constant connection with adequate international organizations.

Internationalization of small and middle companies in the Republic of Serbian should be seen through growth in export and connection of small and middle companies with strategic partners from abroad. For the creation of clusters on this territory we do not have real economical and political surrounding, and that has to be solved soon.

On domestic companies and their development, important influence have foreign investments, as well as our people abroad. Foreign investments made positive effects on domestic business that can be seen in:

- opening of new working places
- transfer of knowledge and modern technologies, as well as
- improvement of money in the budget, which practically means additional improvement to new developing projects [7].

For further development of the Republic of Serbian, our people abroad are very important. It has to be a link in connections with foreign investors, guarant of trust for foreign investors, but also a promoter of new technologies, as well as business experiences from developed countries.

However, because of hard economic situation in relations with foreign countries, which is manifested through high deficit, so it is necessary to make a special program of activation of small and middle companies. That is why we plan to open soon the Center for foreign cooperation and marketing that should have these roles: advisory, informative, coordinating, and must be oriented on the market. For all the companies in Bosnia and Herzegovina an important question is asked: *What kind of business should be in clusters?*

The most important conditions that a potential candidate for cluster should fulfill are [5]:

1. complete acceptance of the model of cluster
2. defined program of creation of firm and necessary start-up capital
3. expertise and professional work, as well as secured sale of goods or services.

On the level of Bosnia and Herzegovian, carriers of industrialization of small and middle companies should be: Council of ministries of Bosnia and Herzegovina, Foreign trade chamber and other institutions.

Government of regional, cantonal level has to do some measures in interest of clusters [4]:

- determination of goals, localities and financial construction of systems of clusters,
- termination of obstacles for development of small business with the promotion of clusters
- organizing, institutionalization and doing analysis of local economy from the aspect of clusters,as well as
- realization of project tasks.

Undoubtably, clusters that represent modern model of development of small and middle companies deserve attention, so it is necessary for all potential participants of clusters to be included in process of their functioning as soon as possible, which is a condition of successful development. In that way Bosnia and Herzegovina would have objective chance to accept the offered model of development, and that would made start-up possible of beginners from those fields that give in cluster the best financial and developing results.

4. CONCLUSION

The process of world globalization has an influence on the success of development of regions. There is a tendency of constant battle of companies that are in constant competitive relation. In the surrounding of constant market battle, small and middle companies are on target of big companies that are much stronger and capable to offer better finanacial deadlines and shorter times for delivery, and other comparative advantages. For their survival there are many different solutions and one of the best is joining forces to enter a joint project, that is cluster.

The reasons why we connect inovations and improvements with clusters are numerous, and some of them are:

- decrease of economic and technical risks and uncertainties
- repetition of continuity of interaction of connected market actors and some specialized institutions, that results in further development
- direct conflict of market participants in exchange and process of innovation of scientific knowledge.

Internationalization of small and middle companies in Bosnia and Herzegovina should be watched from the growth of participation in export and connection of small and middle companies with strategic partners from abroad. For creation of international clusters in this territory we do not have real economic and political air, which should be solved in short period.

However, because of the hard economic situation in relations with foreign countries, which is manifested through high deficit, it is necessary to make a special program of activation of potentials of small and middle companies. That is why very soon the Center for foreign cooperation and marketing should be open with the following roles: consulting, informative, coordination, and must be market oriented. For all companies in Bosnia and Herzegovina an important question is asked: What kinds of business should be in clusters?

On level of Bosnia and Herzegovina, the carriers of internationalization of small and middle companies should be: Council of ministries of Bosnia and Herzegovina, Trade chamber and other institutions. The government on regional level should take these measures:

- determination of goals, localities and financial construction of systems of clusters,
- termination of obstacles for the development of small business with the promotion of clusters,
- organizing, institutionalization and performance of analysis of local economy from the aspect of need for clusters, as well as
- realization of project tasks.

Undoubtedly clusters, which represent modern model of development of small and middle companies deserve special attention, so it is necessary for all potential participants of clusterization to be involved in process of its functioning as soon as possible, with is a condition for successful development. In that way Bosnia and Herzegovina would have objective chances to accept the offered model of development, which would enable start-up of different beginners from those fields that in cluster can give the best financial and developing results.

REFERENCES

- [1] Bilten Agencije za statistiku BiH br:01/08 i 01/09
- [2] Bošnjović, I., 1992., Regionalizacija Bosne i Hercegovine, Sarajevo
- [3] Dostić Milenko, 2002., Menadžment malih i srednjih preduzeća, Sarajevo,
- [4] Maleković, S., 2002., Lokalni akteri razvoja i neka iskustva s lokalnim razvojnim agencijama u Hrvatskoj, Poduzetništvo, institucije i sociokulturni kapital, Zbornik, Zagreb.
- [5] OECD. Lokal Partnership, Clusters, and SME Globalisation, 1999.
- [6] Porter M.E., 1998. Clusters, of innovation initiative. San Diego, New York,
- [7] Porter M.E., 2001. Clusters, of innovation initiative. San Diego, New York,
- [8] Stojanov D. 2000., Međunarodne finansije u globalnoj ekonomiji, Ekonomski Fakultet Sarajevo,

FINANCIAL DERIVATIVES

Dragica Zirojević¹, Evelina Danilović², Ranko Mijić³

¹ Kordija d.o.o., Banja Luka, BOSNIA AND HERZEGOVINA

² MUP RS, Banja Luka, BOSNIA AND HERZEGOVINA

³ Unikredit banka, Prijedor, BOSNIA AND HERZEGOVINA

Summary: Significant for the company, which must be fully secure in their needs is the choice of products whose primary role is the limit of insurance and risk and currency risk, interest rate changes. When it must have flexibility in the form of signed and the transaction cost of care in relation to the risk of which is protected. Work aims to particularly emphasize the advantage of financial derivatives in the more flexibility in relation to the instruments that are made. Most products in the void put-balanced records often are based on the billing differences, which means that the principal does not exchange and therefore, credit risk is lower than the transaction in which the principal exchange will be made, which is related to the instruments from which financial derivatives performed. Financial derivatives are a type of conditional right to other forms of financial assets - shares, bonds, interest rate, market index, exchange rate. Development of derivative securities is closely associated with the growth of the scope and importance terminskih in the financial markets. Financial derivatives are very important financial instruments for risk management in the financial markets and allow you to share the risk and a lot of rational control.

Key words: forward, futures, options, finance, risk.

1. INTRODUCTION

During seventies of the last century, financial institutions functioned in conditions of increased risk, rates are variable, and market of shares and bonds are not stable. Managers bring in innovations of financial derivatives (forwards, futures, options and swaps) because of the bad management of the risk on financial market.

A work hedge itself is sort of protection from the risk, transfer of risk made by change of price of currency, for example, on some other compensation risk. In other words, when a financial institution buys valuable papers (assets) it takes 'the other' position. The risk exists if income on the bought paper are not suitable, that is if there is a lack of expected growth of prices – long position. By sale of valuable paper, financial institution gets a short position, which can also result in certain risk. In that situation, the amount of realized valuable papers is higher than the quantum which is in hands of dealers (sellers).

Forwards are 'agreement of both sides about financial transaction in certain time in the future' [3, pp. 309-310]. Interest forwards are sale of debt instrument in forward period and have these characteristics:

- Quantum of debt instrument;
- Interest rate (price) at delivery;
- Specification of that instrument and
- Stated term of delivery.

Agreement between certain bank and insurance company about the obligation of the bank to sell at certain time, by certain price, definite nominal value of state bonds, is an example of interest forwards. Besides interest forwards, there is a market of foreign currency forwards. Because of the foreign business of commercial and investment banks, there are markets of foreign currency forwards to limit currency risk of a certain company.

It is thought that forwards have a level of flexibility, which completely depends on sides in the contract. The weakness of forwards is in low price, so very often the market of interest forwards has limited liquidity. On the other hand, the contract between banks and insurance companies is a long period. The insurance companies have to be checked for their financial stability because it can experience a financial crash and be unable to fulfill set

conditions of forward. In the middle of seventies financial futures are developed because of these limitations (limitations, interest risk, moral hazard).

On Chicago stock market in 1973. officially appear financial futures that precise set obligation about purchase – sale of determined amount of some financial instrument in the following period, by the previously set price. However, the difference between futures and forwards is arbitrage of futures that gives complete guarantee that the price of futures on the day that Contract finishes is right with the price of delivered assets.

Committee for trade with futures of goods [5] (CFTC) was founded in 1974. and controls complete trade with financial futures in the USA. Basic tasks of this Committee are:

- Approval of suggested futures;
- Registration of brokers and following their work;
- Elimination of manipulation with prices on market;
- Control of stock market.

Problems of interest risks that exist on the market of forwards, are solved with futures because buyer and seller of futures make contract through clearing house that is connected with the market of futures. Clearing house has an active role in control of seriousness of seller and his financial position. However, for the seller and buyer of futures there is an obligation to give deposit to broker of Clearing house. In that way, both sides in the contract protect themselves from the undesirable consequences of changable prices on the market of term contracts. There is also a daily adjustment of futures. Unless at the end of the day there are changes in value of the futures, which is harmonized through the account of margine, so the market of futures is additionally protected from potential losses.

The prices of options, that is, contracts according to which the buyer has the right to buy or sell futures at defined price, are transparent and published every day.

2. FINANCIAL DERIVATIVES –DERIVATIVE VALUABLE PAPERS

2.1. THE TERM FINANCIAL DERIVATIVES

Financial instruments as element of financial system we divide in two large groups. The first group is made of basic financial instruments such as debt valuable papers and valuable papers of stock capital, which in the other group are derived valuable papers or financial derivatives that become important in the seventies of XX century as a part of growing inovations.

The term derivatives indicates that the value of these valuable papers is derived from the value of some other basic assets which is in the bases. Unlike the basic papers, derivatives do not show any of two basic relations that can exist between emitors and investors – interest or ownership. Financial derivatives are a kind of conditional rights on the other forms of financial assets – bonds, stocks, interest rate, market indexes, currency course. It is important to point out that value and price of derived papers depends not only on the relations offer and demand, but also of the value of basic variables they relate to.

Development of derived valuable papers is closely connected with the growth of the scope and importance of term jobs on financial markets. The first proper term jobs were registered in the middle of XIX century on London stock market of metal –LME. It is necessary to mention that the jobs were with stock market goods – copper, aluminum, zink, lead and others, and not financial instruments. The traders made agreement about the price, while delivery and payment were left for future period. At the same time in the USA, in Chicago on Chicago stock market (CBOT) term jobs were growing between traders of agricultural products. They made standardization of the contracts (amounts, payment and delivery) and in 1874. the first clearing house was created as a guarante of delivery and payment.

Financial derivatives are very important financial instruments for government over risks on financial markets and enable for risk to be shared and more rationally controlled. Futures appeared in 1972. and a year later there were options. Today physical scope on derivative segments of financial markets is higher than basic valuable papers so in the nineties it was over 10.000 billion dollars a year with a tendency of growth.

2.2. FUTURES

Futures are liquid term contracts with which we regulate purchase of certain financial active in future. They are different than other financial derivatives. Their characteristic is standardized contract of active with which we trade, deliver and pay. Also they have multiple importance: in risks, termination of gap in financing, sustaining stability of prices and so on.

With futures contract on one side trade hedgers on markets selling them to avoid risks and possible loss, but also speculators on the other side, who expect the profit.

There are a lot of types of futures contracts, and basic division is according to the type of assets so we have [3, pp. 324]:

- futures of goods and
- financial futures

Futures of goods include a great number of different goods, and the oldest futures contract refers to metals and agricultural products. Also there are industrial raw materials, oil and gas, rubber. Futures of goods are older and tradition of trading is very long. They are traded on many stock markets: Chicago Board of Trade, Board of Trade, Kansas City Board of Trade, Minneapolis Grain Exchange, Coffee, Sugar and Cocoa Exchange and many others.

Financial futures are one of the most important financial innovations. The first financial futures was created in 1972, and that was currency futures, and since then there is a regular organized trade with them. However, unlike futures of goods, in most cases on the day, there is no physical delivery of assets, just payment of difference in price.

Financial futures can be divided by type of financial instruments that make them, in four basic groups [2, pp. 76]:

1. Currency futures – futures about purchase of certain amount of foreign currency in the future. Basic assets are foreign currencies: USD, EURO, CHF, GBP, YEN. These futures are important because they give insurance and protection for undesirable fluctuations.
2. Interest futures – are the means of protection for negative influences of change of interest rates. Investors are actually buying valuable papers with fixed income by buying these instruments, which will be paid in future. Those are most commonly state bonds, notes, euro-dollar certificates about deposits, mortgage valuable papers.
3. Futures on valuable papers – creation of futures on other valuable papers – bonds of companies, ordinary stocks.
4. Futures on market indexes – bring their owners a lot of advantages such as –lower expenses, possibility of purchase without money, higher liquidity. The core of these contracts is that payment is connected to the level of indexes. The price of contract is defined upfront and depends on the movement of index.

Of all stated futures contracts for international finances the most important ones are currency and interest futures. Futures contracts in general are sold in organized market. Physical purchase is done only in precisely determined time on determined place called 'pit'. Electronic trade has become important in the last few years.

Futures contracts are very standardized for:

- amount of currency that should be delivered
- date of delivery and way the contracts are fulfilled
- minimal and maximal fluctuations in daily sale.

2.3. DIFFERENCE BETWEEN FORWARD AND FUTURES CONTRACTS

Since they both belong to the same group of financial instruments, similarities between these contracts are huge and very important, but there are attributes by which they can be differentiated. Forward is a classical term contract in which buyer and seller agree about the delivery of certain amount of quality and quantity of assets on precise day in the future.

The price by which the delivery is done must be determined in advance, so there are two time moments – one in present and one in future. In present they define price, quality, quantity, date, place and other conditions of delivery, and in future it is done on set location, on certain day, by terms set in advanced.

The important characteristics of forwards which distinct them from the futures is that they are not standardized, prices are less familiar, can be on the stock market, so we see them as the ancestor of futures. Delivery is connected to a fixed date with forwards, and to a month with futures.

The core of differences between futures and forwards is in the way of payment. You do not have to pay before the time forward comes, and for futures you have the obligation to pay deposit of clearing house at the time you sign the contract, so futures have certain payments meanwhile, while forwards do not have them. Main difference between futures and forward are in the way of payment.

There is a difference in delivery. There is no physical delivery of assets for futures, but only differences in price are paid, and forwards include delivery of goods.

Generally differences are in [1]:

- Liquidity – futures are on the stock market and are very liquid, while forwards have lower level of liquidity.
- Trade – traders do not have to know each other while buying or selling futures, and for forwards they must. Buyer and seller can sell their positions before time for futures and it is not possible for forwards.
- Payment – futures have special system of payment through the mechanism of margins and clearing house, while forwards demand paying obligation in whole.

Long and short position in the trade with future- for buyer of future contract we say that he is in a long position . Long position guarantees the buyer that he will not have loss in case the price starts to grow. That means, that if the price of basic asset grows, the buyer will get profit equal to the difference between higher current market price and lower contracted price.

For sellers of futures contracts we say that they are in short position. The seller will be in somehow better position if the price of basic asset after contract is signed, starts to decrease. In that case they will have profit, since they will sell basic asset by higher price than the current market price.

2.4. MECHANISM OF FUTURES CONTRACTS

In order to have the mechanism of futures in practice work, it is necessary to have certain institutional assumptions. The first and most important is the market of futures. It is organized for business by space, people and technical and technological way. Today there are three systems of trading: classic stock market where they shout loudly, out of stock market and electronic business as modern trend of business. However, trade of futures could not be imagined without clearing houses. They are mechanism through which all buyer and sellers of futures are connected. Clearing house guarantees safety of delivery and payment and she is often called 'buyer's seller' and 'seller's buyer' till the moment that obligations are fulfilled. In order to stop possibility to avoid obligation, buyers and sellers of futures have to sign special contracts with the clearing house so that it becomes the mediator and guarantee of delivery and payment [4].

In case that one side does not fulfill their obligation, clearing house takes the obligation to pay out the damaged side. Also, there are some very strict measures taken against the side that did not fulfill the obligation, and some of them is blocking deposit account, penalties and restriction of trade.

For proper functioning of futures contracts in practice, there should be standardization that makes it easier to trade and conclude the contracts. Important mechanism for functioning besides of clearing house and standardization of contract is a system of margins with mechanism of daily adjustment.

Margins are deposits that buyers and sellers must put on their accounts to clearing house. They represent some sort of guarantee that participants will fulfill the taken obligations on time.

Initial margins are financial means on the accounts of clearing house at the time futures are bought or sold. The value of this margin is not same for every contract, and the height is approximately the same as maximal daily fluctuations of value from the contract.

Margins are minimal amount of means that participants must have on their accounts. Their amount is 75% of initial margins. If amount of means goes under that limit, the clearing house sends information to the subjects to pay additional means and secure minimal level of margins which is called variable margin.

Mechanism of daily adjustment or mark to market means that trade continues after the contract is signed and money is paid for initial margins. Every day, clearing house automatically calculates consequences of changes of current market prices. In the end, buyers and sellers close their positions with only the payment of difference in price.

3. OPTIONS

Options are the second big group of financial derivatives, or derived valuable papers. In wider financial practice, every contract where one of the contracted sides can buy or sell something is called options. However, this does not have to be always right, because options unlike futures do not have all elements of classic contract. For options is characteristic that they have legal power to fulfill stock market transactions, but without obligation that options have to be fulfilled. Options are specific type of financial derivatives that have some 'conditional' rights since payments depend on probability of certain events in future. The relations during emission of options are regulated by specific contract – optional contract where buyer (owner of the option) can sell or buy certain asset at fixed price, within certain period of time. The seller of option has the obligation to do what the owner of option asks from him: to sell or buy certain asset in certain period of time at a set price.

Asset on which options rely on refers to: stocks, indexes of stocks, foreign currencies, bonds, stock market products and futures contracts. The price for option is called a premium. The price in speech is called the price of do or strike price.

The first financial options appeared on April 1973. when the first option market opened in Chicago. In 1976. there were numerous term markets all around the world such as market is : Hong Kong, Amsterdam, London and Paris. There have been spreading of trade with option since then, so that today options are one of the most successful instruments in international financial businesses.

In wider stock market and out of stock market practice there are two basic forms of options [2]:

- call options -giving the right to the owner the right to buy certain valuable paper at certain date and set price.
- put options – giving the owner a right to sell certain valuable paper on certain date at certain price.

Optional agreement is highly standardized document that must have these elements:

- Type of asset to which option relates to,
- set price at which the buyer can buy or sell certain asset or instrument,
- deadline – final date until the option must be used.

The buyer can choose if he is going to use the option, or sell it to some other subject or he will not use his right from the option at all. His decision depends on the interest which is determined by the relation of current market price and contracted price in optional agreement. On the other hand, the seller of the option must fulfill the obligation he took when he sold the option. In case he change his mind, he has two possibilities:

1. try to negotiate with the owner of the option to break the agreement, return premium and pay certain fee
2. find another subject that will take over his agreed obligation for him, to sell option of secondary market.

Značaj opcije je posebno izražen u hedžing transakcijama gde se investitori zaštićuju od potencijalnih rizika. Optional contracts eliminate the risk of price change of financial assets. Options have the function of speculative business, where speculators take the risk, unlike hedgers, to make profit.

Options can be placed in three groups according to point of view of loss and gain [4]:

- options in the money
- options out of the money and
- options at the money.

Example: if the market price is higher than the agreed price then purchasing options are out of money, if market price is smaller they are out of money, and if prices are identical options are at the money. Reversed case goes for the trade with selling options. Investors has an aim, for purchasing or selling options, to finish them only if they are in the money.

3.1. TYPES OF OPTIONS

There are many criteria for their dividing, and mostly these are criteria [3]:

I According to the nature of right in the agreement:

Call option gives the owner the right to buy certain amount of basic instrument by fixed, agreed price in advance, during a specific period of time.

For that the owner pays premium as specific price of option, so the owner of option has a long position. The seller of option obligates to fulfill what buyer wants and he is in a short position. Put options give the right for sale of certain amount of basic instruments by agreed and fixed price, in certain period of time.

II According to aspect of their usage:

European type – options that owner can use only on the day they come are more simple and better for countries with lower level of development of financial markets

American type – options that owner can use at any day since the day he buys them. They are much more complex and give higher flexibility to the buyer.

III According to the type of asset they are created by: Financial – can be created in many different financial instrument and valuable papers: stocks, bonds, futures, interest rates. Goods – created in some of stock market goods: agricultural products, oil, gas, metals, and industrial raw materials.

IV According to the place of trade: Out of stock market are older, not standardized, result of private agreements and not liquid. The system of margins is not applied and prices are less transparent. Stock market where prices are transparent, there is a high standardization, participants do not have to know each other, there is a high level of liquidity, and small number of transactions ends by physical distribution.

Today on stock markets different kinds of options are being traded with: options on stock of corporations with interest options, currency options. Currency options give possibility to investors to control the risk, but also to use good movements of the course of currencies

3.2. SIMPLE OPTION STRATEGIES

Long call strategy - is a position of the buyer, owner of the option for purchase. The main motive of the investors is expectancy that prices will go up and that he will in that way make profit. The profit of the investors is in difference between higher market (P) and lower agreed price (S).

Example

Investor owns option to buy (Long call) at 100 EUR at a price of 1 EUR \ 70 dinars, which is an agreed price (S), with the deadline of three months. If currency course on that day is 1 EUR \ 67 dinars the question is if the buyer will use the right from the option.

Since market price is lower than agreed, the investor will not use this option. Why should he buy euros for agreed price of 70 dinars when he can buy it on currency market for 67 dinars.

On the other hand, the seller of option (short call) gets premium because the buyer drops out.

Investor owns the option to sell (Long put) 100 EUR at price of 1 EUR \ 70 dinars, which is agreed price – S, with the deadline of three months. If currency course on that day is 1 EUR \ 67 dinars, the question is if the buyer will use the right from the option.

Since market price is lower than agreed, the investor uses the right from the option and sells assets by higher agreed price. On the other hand, the seller of the option (Short put), experiences loss that is equal to the difference between the price of doing and market price minus premium.

4. CONCLUSION

The term derivatives shows that value of these papers comes from the value of some other basic asset that is in their bases. Unlike basic papers, derivatives do not show either of two basic relations that can exist between emitters and investors – investment or ownership. Financial derivatives are kind of conditional rights on other forms of financial assets – stocks, bonds, interest rate, market rate, currency course. It is important to say that value and price of derivative papers depends of the value of basic variables that refer to.

Development of derived valuable papers is tightly connected to the growth of scope and importance of term jobs on financial markets. The first right term jobs were registered in the middle of XIX century on London stock market of metals- LME. It is necessary to mention that Razvoj izvedenih hartija od vrijednosti je tjesno povezan sa rastom obima i značaja terminskih poslova na finansijskim tržištima. Prvi pravi terminski poslovi se registruju sredinom XIX vijeka na Londonskoj berzi metala - LME. Neophodno je napomenuti da se radilo o poslovima sa berzanskom robom - bakar, aluminijum, cink, olovo i druge, a ne finansijskim instrumentima. Trgovci su se dogovarali oko cene, dok su isporuka i plaćanje ostavljeni za buduće periode. U isto vreme u SAD, u Čikagu na Čikaškoj robnoj berzi (CBOT) su se razvijali terminski poslovi između trgovaca poljoprivrednih proizvoda. Izvršena je standadizacija ugovora tj. količina, načina plaćanja i isporuka, a 1874. kreirana je i prva klirinška kuća kao garant isporuke i plaćanja.

Finansijski derivati su vrlo važni finansijski instrumenti za upravljanje rizicima na finansijskim tržištima i omogućavaju da se rizik podjeli i mnogo racionalnije kontroliše.

REFERENCES

- [1] R.A. Brealey,S.C.Myers,A.J.Marcus,2007.:*Osnove korporativnih finansija*, Mate,Zagreb
- [2] Dejan Erić, D. 2003. : *Finansijska tržišta i instrumenti*, Čigoja, Beograd, ISBN: 86-7558-155-6.
- [3] Frederic, S. Mishkin, 2006.: *Monetarna ekonomija, bankarstvo i finansijska tržišta*, Beograd, ISBN :86-7478-011-3.
- [4] R.L.Miller,D.D.VanHoose,1997.: *Moderni novac i bankarstvo*, Mate, Zagreb
- [5] J.C.VanHorn,J.M.Wachowicz,jr,2007.:*Osnovi finansijskog menadžmenta*, Data status, Beograd.

ENGLISH LANGUAGE VARIETIES IN INTERNATIONAL MANAGEMENT AND BUSINESS

Milan Živković

Faculty for Education of the Executives, Novi Sad, SERBIA, e-mail: milan.zivkovic@fpss.edu.rs

Summary: English language as a lingua franca of the international management and business has a great number of varieties which prove to be essential in any business communication on the international level. Therefore, one should become familiar with these particularities in oral, as well as written language. This work examines them in common environment and in real business situations. It also includes so-called "Offshore English" equally important to native as well as non-native speakers in order to understand one another. Additionally, this work presents some varieties among verbs, nouns, Latin-based and Germanic verbs, phrasal verbs as well as some differences in meanings and cultural particularities in use of English language in international management and business. Written language, particularly e-mail message, has become the basic part of modern business communication and, therefore, has been included in this work. In order to do and comprehend his work properly, one should become familiar with all these varieties in English language and should actively use them in common business communication. Finally, this work emphasizes the existence of unique English language in international management and business as well as the need for learning such language in order to avoid future misunderstandings.

Keywords: English language, varieties, "Offshore English", e-mail, business communication.

1. INTRODUCTION

English language as an essential mean of communication in modern world of management and business gives a great range of varieties and particularities among its speakers. Nowadays, it is not enough to use actively standard English language (so called BBC or RP English language) in order to understand or to be understood by others in international business circles. It is apparent that communication and mutual understanding among speakers of different nationalities represent the key assumption for doing international business or being a part of the management. Therefore, one should be keen on the knowledge of these varieties in international English language and should understand it as an comparative advantage in relation to his or her competition.

This work would emphasize some of these particularities. Firstly, it is important to say that native speakers are often at disadvantage and may even lose business to a non-native speaking competitor whose English may be more easily understood by customers or business partners. Actually, we should be aware that the true *lingua franca* of international business is not the Standard English language, but so called "Offshore English" (OE). For that reason, "Offshore English" will be explained in more details in further writing.

Furthermore, one should become familiar with some grammatical and semantic features of such language, as well as to compare some differences between Standard English language and simplified "Offshore English". It includes the knowledge of some verbs and nouns, phrasal verbs, "false friends", Latin based as well as Germanic verbs, idioms and variations between American and British English.

Finally, particular attention in this work will be paid to the written language, precisely e-mail usage, as one of the most important occurrences in business communication. Apart from the positive effects, e-mail hides some disadvantages that may appear within such communication. One should understand all the complexity of written business communication and some variations that are present there.

All these English language varieties may be very useful in international business communication since they are a part of every day international management and business. Some of them will be presented in this work.

2. “OFFSHORE ENGLISH LANGUAGE”

Nowadays, it is fairly familiar that English language is widely spoken around the world and it is completely impossible to participate in any international communication without certain level of knowledge of this language. Particularly, it is essential in the world of business to clearly understand others and to be understood by them because your job may sometimes directly depend upon this communication. Still, some native speakers of the English language could think that their position is dominant comparing to non-native speakers. It is completely illusive. On the contrary, in modern world of business and management it is frequently used so-called “Offshore English” which is actually simplified form of the English language in every sense. Nevertheless, it is very important for native, as well as non-native speakers to be aware of this version of the English language in order to avoid some serious misunderstandings. Some authors [3, pp. 367-391] use the term “world Englishes” or “world English” that refer to all varieties of English around the world. The more accurate definition of it may be the following:

“Englishes symbolizes the functional and formal variation in the language, and its international acculturation, for example, in West Africa, in Southern Africa, in East Africa, in South Asia, in Southeast Asia, in the West Indies, in the Philippines, and in the traditional English-using countries: the USA, the UK, Australia, Canada, and New Zealand. The language now belongs to those who use it as their first language, and to those who use it as an additional language, whether in its standard form or in its localized forms.” (Kachru & Smith, 1985, p. 210)

“Offshore English language” is actually one global type of the “world Englishes” particularly used in international business and management. It has been adopted all around the world in order to make business communication easier among different nationalities. Usually, non-native speakers understand themselves better while using this language which is not the case with native or very fluent (the Dutch, the Swedes) non-native speakers. One opinion survey has been done among twenty six different nationalities and the results are the following:

“Nearly 98 per cent agreed that it’s generally a positive thing to be able to communicate with many nationalities in one language (English), the majority prefer doing so with other non-native speakers: in fact, 58 per cent find native speakers more difficult to understand; nearly 56 per cent feel that the effort they’re making to operate in a foreign language goes unnoticed by the native speaker; and just under 60 per cent believe that native speakers of English use their linguistic superiority to gain advantage” [2, pp. 138].

However, “Offshore English” has some characteristics and linguistic distinctions that should be presented in this work. In the beginning, it is important to say that this language has not been standardized by anyone. Still, pop songs, train timetables, even papal blessings can be handled in “Offshore English”, and, if not, it draws all the wealth from Standard English language. The same stands for the area of business and management. Therefore, simply said, “Offshore English” is the English language without words and expressions that non-native speakers find difficult to understand. It is fair to say that it is not beautiful and pleasant language at all. A lot of questions may be asked when its grammar and syntax are concerned. Still, this language significantly reduces the risk of misunderstandings and confusion in international business communication. Thus, this *lingua franca* of international business should be mastered by native speakers as well. One must understand the fact that the English language he or she speaks as a non-native speaker is not the norm. Words, expressions that one uses may have completely different effect from intended ones because some words are not universal in every language and they could be incomprehensible to other people. Also, specific accent may be the problem for other party to understand you. Two things are important for acquiring “Offshore English”: firstly, one has to make an effort to learn as much as possible about the different ways people use English language so that he could adapt his language to various situations, and, secondly, one should adopt some common communication techniques that will help about message clarity and accuracy.

In the Cambridge Encyclopedia of Language, David Crystal introduced six criteria [9, pp. 128-130] for evaluating of international language. Those criteria may also be used for “Offshore English”.

Easy to learn is true for those who already know Standard English, and for those who are beginners this language goes little further than the early stages when grammar is concerned.

Relatable to mother tongue is the case with many languages especially in some words’ similarities, for instance: German (Fleisch – flesh), Italian (società – society), Swedish (fisk – fish), French (chambre – chamber). It is even more interesting with some “distant” languages: Greek (kyklos – cycle), Russian (voda – water), Persian (dokhtar – daughter), Hindi (raj – royalty).

A rich range of functions is apparent for “Offshore English” and it has no clear limits in its usage.

Standardized – still not, because it is used for business purposes while people use mother language in expressing emotions and concerns.

Neutral – not at all because some nationalities find it intrusive and would rather speak “Offshore French” or “Offshore German”. What is more, only native speakers of the English language may be at loss when they are

indifferent to the “Offshore English”. It is a bit easier for non-native speakers to use and understand “Offshore English”.

3. CHARACTERISTICS OF THE “OFFSHORE ENGLISH”

The most important thing about “Offshore English” is not the matter of standardization, but its use in practise. Therefore, we must learn some characteristics of this language, especially in the field of grammar, word origin, semantics etc. The best way to do that stands in real examples and comparisons among standard and “offshore” version. In that sense, it is very useful to present some of the words and sentences where we could clearly see the difference. Some non-native speakers were given regular questions in order to see their level of knowledge:

Standard English

Where do you come from?

Who do you work for?

What do you do?

What are you going to do this evening?

Offshore English

Where's your home town?

What is your company?

What's your job?

What's your plan for this evening? [2, pp. 140]

From these relatively easy examples, one may conclude a lot about the relationship between Standard and “Offshore English”. First, sometimes the standard version is more difficult for non-native speakers. Native speakers tend to use verbs more than nouns (underlined words). Non-native speakers are more willing to use nouns from various reasons: some of them do the same thing in their languages (German and Italian), nouns are simpler to learn and use, some nouns have their universal form and meaning in all languages etc. Thus, in order to avoid misunderstandings with non-native speakers, it would be better to use nouns rather than verbs which might be complicated:

Instead of: *What are you aiming to achieve?*

say: *What are your objectives?*

Instead of: *John's running the project*

say: *John's the project manager*

Instead of: *Who do you report to?*

say: *Who's your boss?* [2, pp. 140]

Still, the situation may be the opposite one. If you speak to British or American audience it is better to replace some nouns with verbs which native speakers find more acceptable.

Another case is with Latin-based and Germanic verbs. Non-native speakers tend to use them a lot. Latin-based verbs are polysyllabic and usually very similar to their mother language (for instance: obtain, inform, select, demonstrate). Here are some examples in sentences:

Did you manage to obtain a copy of the report?

I have to inform you that the price has increased.

Select the one you want.

As I will demonstrate in a minute, this system can help you cut your costs.

Still, Latin-based verbs may sound too formal and they more fit into some written reports than oral speech. That is not the case with verbs of Germanic origin that are often one-syllabic (for instance: get, tell, pick, show). Examples are the following:

Did you manage to get a copy of the report?

I have to tell you that the price has increased.

Pick the one you want.

As I will show you in a minute, this system can help you cut your costs.

Standard English and “Offshore English” have more differences and one, particularly important, refers to the notion of phrasal verbs. They are frequently used by native speakers who find them more natural and understandable than their Latin equivalents. To put it simply, phrasal verbs are the combinations of common verbs and other words (usually prepositions) creating new expressions, different from their basic meanings. Here are some sentences with phrasal verbs and their meanings in brackets:

When did he get back from Munich? (return)

The delivery is late. You'll have to get on to the suppliers. (contact)

They always pay late. We can't let them get away with it. (escape without punishment)

It was so embarrassing. He told me off in front of everyone. (reprimanded)

Please don't pick me up from the office. (collect)

You always show me up by wearing that stupid hat. (embarrass/humiliate)

Native speakers use phrasal verbs in order to sound clearer and, consequently, they use more and more phrasal verbs. Non-native speakers see phrasal verbs completely different. They find them hard to learn and understand (the Scandinavians may not have that problem because their languages have the similar structures). The problem will be illustrated in the following example:

America is no longer prepared to carry on putting up with the obviously unfair trading practices carried out by one of our major trading partners. (“native” version)
America cannot continue to tolerate Japan’s unfair trading practices. (“non-native” version)

The first sentence is quite complicated even for those more advanced learners of the English language, while the second one could be understandable for most of them. Native speakers, businessmen and managers, should be able to replace these phrasal verbs with simple verbs or nouns in order to be understood by non-native speakers. It may sound like this:

Instead of: *We’ll have to put the meeting off.*

say: *We’ll have to postpone the meeting.*

Instead of: *The price put me off.*

say: *The price was a disincentive.*

Instead of: *Can you get on to him?*

say: *Can you contact him?*

Instead of: *Are you getting on OK with the project?*

say: *Are you making progress with the project?*

When we speak about differences between native and non-native speakers, as well as their comprehension of the English language, we must mention the special group of “false friends” (French: faux amis, German: falsche freunde). They could be very tricky even for more experienced English speakers. They represent the words which are quite similar in some languages, but their meanings are very different from those we could predict. That is the reason why some businessman or manager should be very careful in using some English words that look similar to those in his native language. Here is a list of some “false friends” that might be useful in every day business communication:

Word	Meaning to the native speaker	Meaning to many non-native speakers
actually	in fact	now, at the moment
assist	help	attend
benefits	advantages	profits
candid	frank, honest	naive
concurrent	existing or acting at the same time	competitive
eventually	finally	possibly, if the occasion arises
formation	structure, arrangement	training
sympathetic	able to share the emotion of others	nice
a delay	an instance of being late	lead time

Source: Penny Carte and Chris Fox: *Bridging the Culture Gap*, Kogan Page Limited, second edition, London, UK; Philadelphia, USA, 2008: page 144.

There are numerous examples of misunderstandings among various nationalities in sense of using “false friends”. For instance, if the native Spanish speaker asks you whether you have your carpet (*carpeta*), he or she would refer to your file or folder; also, if something went wrong during presentation he would not tell you that he is embarrassed since *embarazada* means pregnant. If an Italian says he would like to anticipate (*anticipare*) the meeting, he is not asking you to think about it in advance, but to move it to an earlier date or time.

However, it is very useful to understand some differences between British and American usage of some words. They are frequently recognized as a kind of “false friends”: for instance, the word *presently* means *at the present time* for the Americans, and for the British it means *soon*. Furthermore, the expression *I am not with you* means *I don’t support you* for the Americans, and for the British *I don’t understand you*. These “little” things could be very important in everyday business communication especially if you are involved in international management and relations. Some of them will be given in the following table:

Word or expression	Meaning to Americans	Meaning to the British
momentarily	very soon	for a brief moment
to slate	to schedule	to denigrate
sanctioned	prohibited	approved
high level proposal	rough outline	comprehensive, detailed proposal

Source: Penny Carte and Chris Fox: *Bridging the Culture Gap*, Kogan Page Limited, second edition, London, UK; Philadelphia, USA, 2008: pages 145, 146.

Among the English language varieties, there have been neglected some meanings of the simple words *please*, *must* and *ok* among the non-native speakers. This could lead to many unpleasant and unnecessary situations.

Thus, *please* is not always the word for everyday good manners. Usually, it may be autocratic and official. So, the main words for expressing politeness are actually *can/could, will/would*:

So instead of: *Please do it now.*

say: *Can you do it now (please)?*

Instead of: *Please send me a copy of the report.*

say: *Will you send me a copy of the report (please)?*

Instead of: *Please connect me to Mr Smith.*

say: *Could you connect me to Mr Smith (please)?*

Must is the word which has bureaucratic and obligatory tone for native speakers and it is often difficult for non-native speakers to understand it. It has to be clear, however, that *must* expresses strong obligation, necessity and recommendation.

Ok is actually very weak word for a native speaker and means satisfactory and acceptable – but nothing more. It sounds almost as something was not very good. For a non-native speaker it means absolutely fine and nothing at all to complain about.

Idioms are another problematic issue when we speak about misunderstandings among non-native and native speakers. An idiom is a group of words whose meaning cannot be deduced from the meaning of the individual words. Here are some useful examples:

It's a question of swings and roundabouts. (The two options are very similar.)

It's all gone pear-shaped. (Everything has gone wrong, we have failed.)

His reaction was a bit over the top. (His reaction was excessive/unreasonable.)

He's throwing a sickie. (He's pretending to be ill so that he can take time off work.)

I'm out of here. (I'm leaving.)

He damned it with faint praise. (He commended it so unenthusiastically that he implied disapproval.)

Idioms are extremely difficult for non-native speakers even if they have some similar expression in their own language. One cannot be completely sure in the same meanings. Also, we should be aware that idioms easily go out of fashion and it is probably good solution for every businessman to avoid using idioms in international business communication.

As we could see from the examples above, native and non-native speaker of the English language have the similar responsibility in the process of communication. They all have to put some effort in order to avoid misunderstandings and a lot of extra unnecessary work.

4. E-MAIL MESSAGE

In modern international management and business it is not only enough to be a good and fluent speaker of the English language. It is also necessary to develop writing skills since written communication is equally important in the field of management and business. In many cases it turned out that writing capability of managers and businessmen had been crucial for mutual understanding.

Electronic mail, or widely known as an e-mail, is a great convenience of modern society. Speed in communication is essential today which is directly connected to exchange of information. With a single click on the button one can promptly send an e-mail from Belgrade to Tokyo, or anywhere else. In companies, e-mail communication has become the useful tool for doing business. Employees feel more comfortable to e-mail someone in upper management rather than call or knock on his or her door. It is easier to share information between team members, within a single department or within a global company. Nevertheless, speed may be also the cause of main problems in e-mail usage. People forget that e-mail is actually “a hybrid communication medium” [8, pp. 84] and it includes spontaneity and informality of spoken communication (without the body language and vocal cues) and the permanence of written communication. Every writer is able to spend the necessary time crafting a message and making it precise and clear. Still, people treat e-mails less carefully than one written communication should be treated. Structure and correctness are usually very poor and senders do not have in mind the possible receivers. There are some points that should be seriously taken in dealing with an e-mail:

1. *Know the receiver's communication preference* – very important because some people prefer other forms of communication over e-mail (the reason may be a great number of e-mails received during a single day).
2. *Consider the reader's disposition and perspective* – unlike spoken messages which could be quickly modified, written message is static once it has been sent. Therefore, they are susceptible to the reader's mood, existing perceptions, his or her attitudes towards the subject etc.
3. *Know that an e-mail can come across in unintended ways* – sometimes, from various reasons, your e-mail can be badly interpreted. The best way is to change the medium immediately and to clarify it promptly.

4. *Review before you send* – extremely important thing because various mistakes could stay in your e-mail and consequently cause a lot of problems. Usually, one word may change the tone of your e-mail and it is good to check it after some time and then send it.
5. *Less formality doesn't mean anything goes* – informality may create more relaxed atmosphere but carelessness in the sense of consistent violations of spelling, grammar and structure can create undesirable impact on the opposite party. Use standard punctuation and capitalization, and edit your e-mails carefully for grammar, punctuation, and spelling. (Don't forget to use the spell check feature, but don't rely on it completely.)
6. *Use the same courtesy you would in face-to-face conversation or a formal letter* – it is useful to think about "live" conversation you would have and what words you would use for expressing politeness. *Please, Thank you, I hope you are well* could be some expressions as well as courtesy titles (Mr. or full names) which are very important.
7. *Don't circulate e-mails with offensive or defamatory content* – you should delete such e-mails because they can cause problems both for you and your organization.
8. *Compose a clear subject line* – if you want to attract attention and possibly get quick answer from the reader you have to have identifiable subject line.
9. *Keep your e-mail messages short—no more than a full screen* – a long message could never be read. If you have a long message, attach it for the main message.
10. *Respect each others' privacy* – using electronic mail may expose you and your recipients to other people. Always ask permission before forwarding another person's e-mail. And never edit or change the original message. If you're mailing to a list, use mail merge, or send the e-mail to yourself, with the mailing list as a blind carbon copy (bcc). That way none of the recipients will see each other's e-mail addresses.
11. *Reply in a timely manner* – people generally send e-mails in order to get quick response. It is advisable to answer your e-mails within twenty-four hours to your business partners.
12. *Use the "Reply to All" feature with care* – in order to avoid misunderstandings, reply only to the person who sent you the mail.
13. *Never reply to spam* – delete every spam or use a program that filters it automatically [8, pp. 84-89].

6. CONCLUSION

The knowledge of the English language varieties in international management and business could be only advantage for business people and managers today. They are almost constantly in interaction with different people, business partners, management, executives etc. They usually speak a kind of "Offshore English" and it is a must for native and non-native speakers to know such language.

This work emphasizes the significance of such language and its characteristics, but do not neglect the presence of Standard English. Also, Standard English (RP or BBC English) is obligatory for all learners and it is the only globally accepted language. It would be completely wrong for someone to learn only "Offshore English" because the fundamental characteristics of every language are hidden in its standard version. It is apparent that "Offshore English" has many simplifications and shortages comparing to the standard version. This work proves the riches of the Standard English and its dominance in every linguistic aspect.

Still, "Offshore English" is rapidly growing reality, especially important in the field of management and business. It is more adaptable to other languages and, consequently, easier to learn for non-native speakers. It would be a great mistake for someone to neglect its existence and could finally become "less capable" for communication in international sense. This work presents the practical use of "Offshore English" and many comparative cases. Complex linguistic areas like phrasal verbs and idioms have been also included in this work.

It is definitely proved that modern business communication is impossible without electronic mail (e-mail). Therefore, users should be aware of some rules while sending their e-mails. Various mistakes which could be avoided are given in this work. Every successful manager should know these guidelines.

Finally, the English language constantly changes and all the speakers should follow these alterations. It becomes more complex in everyday interaction with other languages. The same thing stands for "Offshore English" as a specific language more and more relevant in international management and business.

REFERENCES

- [1] Zoran P. Bogetić: *Menadžment kategorije proizvoda*; Ekonomski fakultet, Beograd; Data Status, Beograd, 2007. ISBN 978-86-7478-039-8.
- [2] Penny Carte and Chris Fox: *Bridging the Culture Gap*, Kogan Page Limited, second edition, London, UK; Philadelphia, USA, 2008. ISBN 978 0 74945274 2.

- [3] Alan Davies, Catherine Elder ed.: *The Handbook of Applied Linguistics*; Blackwell Publishing Ltd, UK, 2004. ISBN 0-631-22899-3.
- [4] Martin J. Gannon, Karen L. Newman eds.: *Handbook of Cross-Cultural Management*; Blackwell Publishing Ltd, UK, 2002. ISBN 0-631-21430-5.
- [5] Michele J. Gelfand, Jeanne M. Brett ed.: *The Handbook of Negotiation and Culture*; Stanford University Press, Stanford, USA, 2004. ISBN 0-8047-4586-2.
- [6] Tamara L. Gillis ed.: *The IABC Handbook of Organizational Communication*; Jossey-Bass, San Francisco, USA, 2006. ISBN-13: 978-0-7879-8080-1; ISBN-10: 0-7879-8080-3.
- [7] Maureen Guirdham: *Communicating across Cultures at Work*; Palgrave Macmillan, New York, USA, 2005. ISBN-13: 978-1-4039-1349-4; ISBN-10: 1-4039-1349-8.
- [8] Beverly Y. Langford: *The Etiquette Edge*; Amacom, New York, 2005. ISBN 0-8144-7242-7.
- [9] John Mattock ed.: *Cross-Cultural Communication*; Kogan Page, revised second edition, London, UK; 2007. ISBN 0-7494-3922.
- [10] Richard Mead: *International Management*; Blackwell Publishing Ltd, UK, 1998. ISBN 0-631-20003-7
- [11] Henk T. Van der Molen, Yvonne H. Gramsbergen-Hoogland: *Communication in Organizations – Basic Skills and Conversation Models*; Psychology Press, Hove, East Sussex, 2005. ISBN 0-203-00829-4.
- [12] Wikipedia, the free encyclopedia on Internet. Available on Web site: http://en.wikipedia.org/wiki/Main_Page.

**Conference Announcement
(Najava konferencije)**

**2nd International Conference
"APPLICATION OF NEW TECHNOLOGIES
IN MANAGEMENT"**

ANTiM 2010

**which will be held
(koja će se održati)**

**23 - 25. April 2010.
Bajina Bašta, Serbia**

CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

338.124.4(100)(082)
330.34(497)(082)
330(497)(082)
34(082)
005(082)

**INTERNATIONAL Conference Law, Economy and
management in Modern Ambience (1st ; 2009 ;
Sokobanja)**

Proceedings. Vol 2 / [International
Conference] Law, Economy and management in
Modern Ambience, [1st], LEMiMA 2009,
Sokobanja, Serbia, 25-27. September 2009. ;
[organizer] Faculty for Education of the
Executives = [[organizator] Fakultet za
obrazovanje diplomiranih pravnika i
diplomiranih ekonomista za rukovodeće
kadrove] ; editor Života Radosavljević. -
Novi Sad : Faculty for Education of the
Executives = Fakultet za obrazovanje
diplomiranih pravnika i diplomiranih
ekonomista za rukovodeće kadrove - FORKUP,
2009 (Beograd : Centar za edukaciju
rukovodećih kadrova i konsalting (CERK)). -
Str. 465-873 : ilustr. ; 25 cm

Tiraž 100. - Bibliografija uz svaki rad.

ISBN 978-86-87333-07-9

1. University of Business Academy (Novi
Sad). Faculty for Education of the Executives
a) Економска криза - У свету - Зборници b)
Привредни развој - Балканске државе -
Зборници c) Економија - Балканске државе -
Зборници d) Право - Зборници e)
Менаџмент - Зборници
COBISS.SR-ID 171289868



