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МЕЂУНАРОДНИ ЧАСОПИС
ЗА ЕКОНОМСКУ ТЕОРИЈУ И ПРАКСУ И ДРУШТВЕНА ПИТАЊА

ЕКОНОМИКА

Часопис излази четири пута годишње Година LXI, VII-IX 2015, број 3

ИЗДАВАЧ: Друштво економиста "Економика" Ниш
СУИЗДАВАЧИ: Економски факултет у Приштини, Институт за економику пољопривреде - Београд, Факултет за пословне студије и право - Београд, Факултет за трговину и банкарство, Универзитет Алфа - Београд.

1. Часопис “Економика” покренут је јула 1954. године и под називом “ Нишки привредни гласник” излазио је до јуна 1957. године, а као “Привредни гласник” до краја 1969. године. Назив “Наука и пракса” носио је закључно са бројем 1/1973. год. када добија назив “Економика” који и данас има.

2. Часопис су покренули Друштво економиста Ниша и Друштво инжињера и техничара Ниша (остало као издавач до краја 1964. године). Удружење књиговођа постаје издавач почев од броја 6-7/1958. године. Економски факултет у Нишу на основу своје одлуке броја 04-2021 од 26.12.1991. године постао је суиздавач “Економике”. Такође и Економски факултет у ПриШтини постао је суиздавач од 1992. године. Почев од 1992. године суиздавач “Економике” је и Друштво за маркетинг региона Ниш. Као суиздавач “Економике” фигурирали су у току 1990-1996. године и Фонд за научни рад општине Ниш, Завод за просторно и урбанистичко планирање Ниш и Корпорација Винер Брокер Ниш.

3. Републички секретариат за информације СР Србије својим Решењем бр. 651-126/73-02 од 27. новембра 1974. године усвојио је захтев “Економике” за упис у Регистар новина. Скупштина Друштва економиста Ниша на седници од 24. априла 1990. године статутарном одлуком потврдила је да “Економика” има статус правног лица. На седници Скупштине Друштва економиста Ниш од 11. новембра 1999. године донета је одлука да “Економика” отвори посебан жиро-рачун.

4. Према Мишљењу Републичког секретариата за културу СР Србије бр. 413-516/73-02 од 10. јула 1973. године и Министарства за науку и технологију Републике Србије бр. 541-03-363/94-02 од 30. јуна 1994. године “Економика” има статус научног и ранг националног часописа “Економика” је поћев од 1995. добила статус међународног економског часописа.

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2. The Journal was initiated by the Society of Economists of Nis and the Society of Engineers and Technicians of Nis (the latter remaind as the publisher till the end of 1964). The Society of Accountants became its publisher starting from the issue no. 6-7/1958. The Faculty of Economics, Nis, on the basis of its Resolution No. 04-2021 from December 26, 1991, became the co-publisher of EKONOMIKA. Likewise, the Faculty of Economics of Pristina became the co-publisher since in 1992. Starting from 1992, the co-publisher of EKONOMIKA has been the Society for Marketing of the Region of Nis. Other co-publishers of EKONOMIKA included, in the period 1990-1996, the Foundation for Scientific Work of the Municipality of Nis, the Institute for Spatial and Urban Planning of Nis and the Corporation Winner Broker, Nis.

3. The Republic Secretariat for Information of the Socialist Republic of Serbia, by its Resolution No. 651-126/73-02 from November, 27, 1974, approved of EKONOMIKA's requirement to be introduced into the Press Register. The Assembly of the Society of Economists of Nis, at its session on April 24, 1990, by its statutory resolution, confrmed the legal status of EKONOMIKA. At the session of the Assembly of the Society of Economists, Nis, on November 11, 1999, the resolution was adopted the EKONOMIKA was to open its own bank account.

4. According to the Opinion of the Republic Secretariat for Culture of the Socialist Republic of Serbia No. 413-516/73-02 from July 10, 1973 and the Ministry for Science and Technology of the Republic of Serbia No. 541-03-363/94-02 from June 30, 1994, EKONOMIKA has the status of a scientific and national journal. Starting from 1995, EKONOMIKA has been having the status of international economic journal.

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МЕЖДУНАРОДНИИ ЖУРНАЛ
ПО ЭКОНОМИЧЕСКОЙ ТЕОРИИ И ПРАКТИКЕИ ОБЩЕСТВЕННЫМ ВОПРОСАМ

ЕКОНОМИКА

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ИЗДАТЕЛ: Общество экономистов „Экономика" Ниша.

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1. Журнал „Экономика" начал издаваться с июля 1954 года и под названием „Нишский хозяйственный вестник" выходил до июня 1957 года, а как „Хозяйственный вестник" - до конца 1969 года. Название „Наука и практика" носил заключительно с № 1/1973 г., когда и получил название „Экономика", которое имеет и сейчас.

2. Журнал основали Общество экономистов Ниша и Общество инженеров и техников Ниша (оставались издавателями до конца 1964 года). Объединение бухгалтеров становится издателем начиная с № 6 - 7 / 1958 года. Экономический факультет в Нише на основании своего Решения № 04 - 2021 от 26.12.1991 года стал соиздателем „Экономики". Также и Экономический факультет в Приштине стал соиздателем с 1992 года. Начиная с 1992 года соиздателем „Экономики" становится Общество маркетинга региона г. Ниша. Как соиздатели „Экономики" в течении 1990 - 1996 года фигурировали Фонд по научным работам, опщины Ниш, Институт урбанистического планирования Ниша и Корпорация Winner Broker Ниш.

3. Республиканский секретариат по информации СР Сербии своим Решением №651¬126/73-02 от 27 ноября 1974 года принял заявление „Экономики" о входе в состав Регистра газет. Собрание Общества экономистов г. Ниша на заседании от 24 апреля 1990 г. Уставным решением подтвердил, что „Экономика" имеет статус правового лица. На заседании Собра-ниея Общества экономистов г.Ниша от 11 ноября 1999 г. принято решение об открытии „Экономикой„ отдельного расчетного счета.

4. Согласно мнению Республиканского секретариата по культуре СР Сербии №413¬516/73-02 от июля 1973 г. и Министерства науки и технологии Республики Сербии №541¬03-363/94-02 от 30 июня 1994 г. „Экономика" имеет статус научного и ранг национального журнала. С начала 1995 года „Экономика" получила статус международного экономического журнала.

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FACULTY CULTURE AT A RUSSIAN PROVINCIAL UNIVERSITY: AN EMPIRICAL STUDY

Abstract

The paper presents the results of the empirical study of faculty culture at a Russian provincial university. This research study examines faculty attitudes toward implementation of the new State Higher Education standards. A survey was conducted among a majority of faculty members. We also interviewed representatives of the university administration and the administration of its schools. We identified three groups of professors with different views on changes required, proved, that implementation of new educational standards strongly depends on Chairs' leadership and that the ability to articulate educational outcomes is a professor's core competence.

Key words: *organizational culture, corporate culture, culture of faculty.*

JEL classification: I23 Higher Education

ФАКУЛТЕТСКА КУЛТУРА НА РУСКОМ ПОКРАЈИНСКОМ УНИВЕРЗИТЕТУ: ЕМПИРИЈСКА СТУДИЈА

Апстракт

У раду су приказани резултати емпиријског истраживања културе факултета руског покрајинског универзитета. Ово истраживање испитује ставове факултета о имплементацији нових стандарда високог образовања. Истраживање је спроведено међу већином чланова факултета. Такође, интервјуисани су представници универзитетске управе и администрације. Идентификовали смо три групе професора са различитим ставовима о потребним променама и доказали је да примена нових образовних стандарда у великој мери зависи од руководства и да је суштинска способност професора заправо да артикулишу образовне исходе.

Кључне речи: *организациона култура, корпоративна култура, култура факултета.*

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Introduction

Organizational culture, how to study it and how to change it have been in the focus of attention of various scholars for several decades. Many of these publications focus on the peculiarities of organizational cultures of specific economic sectors. The majority of these “sectorial” publications in Russia are devoted to university organizational culture. This situation can be explained by the fact that the majority of researchers work in universities.

The analysis of publications (mostly Russian ones) devoted to the conceptualization, study and change of the organizational culture of universities, shows that the majority of these publications are purely theoretical and do not include any empirical research. This may be due to significant difficulties both in the object of such research and the complexity of such empirical research itself.

However, nearly all Russian publications of the last decade point to the low quality of Russian university education, an unwillingness to respond to a requirement for improving higher education, and some opposition by university faculty toward implementation of new State Higher Education standards1. This opposition has been manifested both in rejecting the practicality of this transition (visible resistance) and latent resistance, as manifested in the absence of changes in teaching.

This study, then, is an attempt to conduct empirical research on the organizational culture of a particular university, and of its main (faculty) subculture in particular, as revealed through professors’ attitudes toward the implementation of Federal educational standards. An average provincial university (delivering principally humanitarian programs) was chosen as the object of this research. The administration of the university is strongly committed to implement these new educational standards.

Research Design

In our research, we relied on Schein’s classical definition of organizational culture and his algorithm for deciphering organizational culture (Schein, 2002). We also employed Handy’s organizational cultures typology (Handy, 1993) and the system of organizational culture assessment and diagnostics suggested by Cameron and Quinn (Cameron and Quinn, 2001).

Analysis of domestic publications, focused on the organizational culture of a university, shows that a vast majority of researchers mainly describes an ideal situation thus omitting reality from detailed study (Franc, 2006; Gorshkova, Mal’ceva, 2006; Tikhomirova, 2008; Grudzinski, Bednyi, 2009; Kozlov, 2009; Sokurenko 2010; Akimova, Franc, 2012; Grudzinski, Petrova, 2012) or study students’ perceptions of a university (Kravcova, 2008). In fact, we can distinguish a separate type of corporate culture – the corporate culture of a university. This corporate culture represents the basic values, preferences and norms defining the behaviour of faculty, staff and students, provides for constructive interaction on the team of a university, and contributes to realizing the State’s requirements for education (Tarabaeyva, 2008), though there are questions about whether this interaction is constructive in every university and whether it really contributes to the implementation of the requirements in question.

It is commonplace that everyone wishes corporate university culture would be an inseparable part of these organizations' life. This allows us to speak about a university as a self-organized system built on the principles of value of knowledge, and the freedom of teaching and learning. These values are a specific way to achieve the idea of a university (Yablonskene, 2006), but it is clear that the real lives of students and teachers of many domestic universities are built on entirely different principles.

Many authors (e.g., Hanevich, 2009) propose a set of values for educational activity shared by the majority of faculty, namely: competence, professionalism, responsibility, the value of higher education, love of the profession, citizenship, patriotism and tolerance of faculty. But these publications hardly help us to understand the real organizational culture of a particular university and the reasons for the resistance of professors (sometimes in great numbers) to changes.

At the same time empirical research from even the past 10 years shows that the organizational culture of an "average" Russian university is often hierarchical, and tends towards a family (clan) kind of culture; this reflects, in line with the prevailing mentality, an orientation to State paternalism (Makarkin, Tomilin, Britov, 2004). It is very unlikely that the situation in most universities could have seriously changed for the better in recent years. It is clear to any impartial observer that organizational culture in many Russian universities (for objective reasons) is still traditional, "late Soviet" (Kremneva, 2007); this becomes the main source of resistance to the required accommodation to this new environment.

That is why we intended to study certain aspects of the existing organizational culture of a "regular" Russian university. We had two principal alternatives for consideration of the corporate culture (culture as what an organization has, and as what it is (Yablonskene, 2006)). But being specifically interested in the behavioural norms, rituals, traditions, etc. that correspond to the values shared by faculty (Yablonskene 2006), we chose the first option.

It is understandable enough that the empirical study, we undertook could only use methods described by Schein as "other sources of culturological information" (Schein, 2002). According to Schein, the main ways and means of approaching such a study (expert participation, group meetings, identification of cultural influences, etc.) assume the initiative and participation of a university administration. We actually used a survey of a substantial number of university professors (the subculture of faculty, which, from our point of view, is the core of the corporate culture of a university); the author also interviewed a small number of senior (rectorate) and secondary (dean-level) administration. In the first case, we examined the views and attitudes of the faculty, and in the second, we studied other sources of cultural information: organizational structure and information, control and reward systems (Schein, 2002).

We clearly understood the complexity of studying culture by means of a survey. In particular, we realized that culture is multi-dimensional, but at the same time we could not afford to use an extensive (bulky) questionnaire. We recognized that different components of culture had different significance for group activity, and therefore the professors' views and attitudes selected for study characterized the researcher's view about it and not the culture itself. Finally, we were well aware that the respondents were likely only partially truthful in their answers. Moreover, we were convinced that because of a respondent' wish to guess which answers would be seen as "desirable" by the university administration, the interpretation of the data should only be qualitative and not quantitative.

The following aspects of the views, attitudes, values of the faculty reflected and manifested in the corporate culture of the university were chosen for study.

The first unit includes faculty members' relationships with students: the degree of a professor's dominance in the relationship with students (the degree of a professor's respect toward students), and a professor's perception of the marks he or she gives to students (whether a professor tries to guide a student to further effective learning with the help of assessment).

The second unit dealt with a professor's relationships with colleagues in the department and the relationship with the immediate superior (Department Chair): how important for the group a professor considers him/herself, the way he or she evaluates his/her participation in joint activities and discussions of working issues with colleagues, his (her) attitude to the Chair as a leader, the way a professor evaluates a Chair's attitude to himself (herself), the way a professor assesses the exactingness of the immediate superior.

Finally, in the third block, we studied attitude toward the job and changes in the job: the level of interest in the work, a professor's assessment of the Department's activity in implementing the new educational standards, attitude toward planning clear educational outcomes (required as a part of the implementation of those standards), attitude to the idea that in new conditions the main result of a professor's work is students' readiness for professional activity (and not a specific set of knowledge; this is the major component of the transition to the new standards), attitude to the module-rating system in students' evaluation2 (university administration is implementing this system as a technological component of the substantive transition to the new standards). It was assumed from the very beginning that the attitudes and relationships included in this block would be the most essential for studies of the faculty culture of the university and for determining its subcultures. This is because the variables included here characterize changes in activity: the existing organizational culture shows itself most distinctly in conflict with the changes being implemented.

It should be noted that we did not study the views of the faculty on research activities (the most important in terms of the "ideal" university). We believe it would be superfluous for a regular Russian provincial humanitarian university: it is well known that the existing attitude of the majority of professors toward research differs greatly from a "real" one. The second reason for not studying these aspects of the views, attitudes and values of faculty is the desire not to overload the survey instrument: we believed that doing so would lead to a noticeable decrease in the accuracy of answers. In other words, we had to sacrifice studying some parts of faculty perceptions and attitudes (the ones we considered the most obvious) in order to achieve more accuracy in other parts.

The questionnaire compiled consists of 12 substantial questions and 8 questions defining the professional-demographic characteristics of the respondents. The questionnaire was pilot tested with representatives of one of the Departments (those in the pilot test did not participate in the further poll) and was slightly adjusted after the test. More than half of the faculty of the University (224 out of 412 professors) took part in the survey, conducted on the initiative of the university administration. Professors (willing to participate in the survey) filled out the electronic form of the questionnaire. Heads of Departments were not invited to participate.

In-depth interviewing of some representatives of the Rector’s office and Deans’ offices provided for evaluation of the above-mentioned views and attitudes of faculty, but also included (as mentioned above) some questions aimed at the study of certain aspects of organizational structure, as well as the systems of information, monitoring and reward.

Analysis of Empirical Data

The overall picture

When we examine the overall picture of the views and attitudes of faculty of the university (for obvious reasons we are concealing its identity), we should first of all note their uniformity on most of the questions in the questionnaire. However, there are issues on which opinions differ.

All but one of the professors interviewed state their work is “very interesting” (in most cases) or “generally interesting”.

The absolute majority of respondents claim that their “colleagues respect them and consider them to be important members of the team”, but 50% of the respondents are somewhat uncertain, choosing the option “more like yes”. However, about 5% of faculty chose “more like no”.

The set of questions about the relationship to one’s immediate superior (Department Chair) did not generate a large divergence of views. Ninety-five percent of respondents believe that their “Chair is the real leader of the team” and 75% state this confidently. Ninety-eight percent say with various degree of certainty that the Chair “appreciates them as professionals” and is “demanding in terms of performance of duties”.

In general, questionnaire responses showed a careful and respectful attitude of faculty to students. Eighty-four percent of respondents claim that they “will listen to a student in a disputed situation and would reconsider their decision on the evaluation, if they realize that it has been erroneous”; however, only 1% of respondents “will not listen to a student and will not change the decision”. Ninety-one percent of professors say that they would “respect a student’s disagreement on research issue”; we should underline that none of the professors would actively oppose a student’s disagreement.

All of the respondents are rather actively (by their own estimation) involved in joint activities with colleagues at the Department, and 64% of the respondents chose the option “always”. Sixty-two percent of professors say with confidence that “the work of their department is fully focused on implementation of the new educational standards,” but 4% do not think so and state that “this orientation is only formal”.

Fifty-four percent of the respondents think that it is very important for a professor to plan the educational outcomes (what the students should be able to do, what sorts of problems they should be able to solve, etc.) that he or she should ensure; but 11% of them incline to the opinion that the only need is to specify what subject content they should deliver to their students to how many hours they will be given for this.

The question about a module-rating system of students’ evaluation caused the most profound divergence of views. Only 26% of respondents believe that the implementation of this system “is really useful”, while 36% of them say that this implementation “is not as important” or “there is no necessity for it”.

Respondents' views differed about one more question. Forty percent of respondents believe that the mission of a university education is to teach a student his future profession, that is to teach professional competencies3, while 7% of them think that the main task "is to provide deep theoretical knowledge", 53% lean hesitatingly toward one or another point of view.

The average numeric values of respondents' answers on 12 substantial questions can be seen in table 1 (numerical scale from 1 to - 1 is used).

Table 1. The average values of respondents' answers in numerical scale

Number of Question and its subject	Average Value
1. The degree of interest in the work	0,816143
2. The degree of respect from colleagues	0,681614
3. Leadership qualities of a Department Chair	0,829596
4. The degree of the Chair's respect for a professor	0,79148
5. a Chair's exactingness	0,863229
6. The degree of respectful attitude toward student's disagreement on assessment	0,90583
7. The degree of respectful attitude toward student's disagreement on research issue	0,952915
8. The degree of respondents' involvement in joint activities with colleagues at the Department	0,76009
9. The degree of focus of a Department activity on new educational standards	0,766816
10. The importance of precise planning of educational outcomes	0,636771
11. The importance of implementation of the module-rating system in students' assessment	0,204036
12. The mission of a university education as teaching students to master professional competencies	0,439462

We should state that the results of this survey characterize very positively the culture of the faculty of this university: for most items (perhaps except the last two, which, however, also have positive values), the average values of professors' views and relations are just about ideal. But it is necessary to take into account a possible distortion of real opinions of part of the faculty caused by their desire to guess what answers would be "preferred by" the university administration.

Different professors

A generally positive overall picture does not exclude the existence of several essentially distinct groups of professors4 among the university faculty. The cluster analysis we conducted allowed us to identify three groups within the total sample (values of cluster centers are shown in table 2). We suggested names for each cluster and we use these names below to describe the particulars of the views of the group representatives.

Table 2. The value of the cluster centers

Number of Question and its subject	Cluster 1	Cluster 2	Cluster 3
1. The degree of interest in the work	0,802083	0,817073	0,826923
2. The degree of respect from colleagues	0,687500	0,711382	0,605769
3. Leadership qualities of a Department Chair	0,677083	0,869919	0,875000
4. The degree of the Chair’s respect for a professor	0,781250	0,792683	0,798077
5. a Chair’s exactingness	0,812500	0,873984	0,884615
6. The degree of respectful attitude toward student’s disagreement on assessment	0,916667	0,930894	0,836538
7. The degree of respectful attitude toward student’s disagreement on research issue	0,947917	0,963415	0,932692
8. The degree of respondents’ involvement in joint activities with colleagues at the Department	0,697917	0,813008	0,692308
9. The degree of focus of a Department activity on new educational standards	0,614583	0,829268	0,759615
10. The importance of precise planning of educational outcomes	0,333333	0,756098	0,634615
11. The importance of implementation of the module-rating system in students’ assessment	-0,177083	0,719512	-0,663462
12. The mission of a university education as teaching students to master professional competencies	-0,656250	0,715447	0,798077

Cluster 1 – “Skeptics” (22% of respondents).

This cluster of faculty has rather a negative attitude towards changes in their work and the means for implementing these changes. The cluster representatives have an extremely negative attitude towards higher education reform, especially regarding the aspect of transition to the new educational standards.

We should note that these professors say less often that their Department is focused on new educational standards and tend to estimate the leadership qualities of their Chair as rather low.

We should note that this cluster includes half of the professors with the fourth academic degree5, and the size of this group is a little over a fifth of the respondents. For obvious reasons, these are the senior professors who have significant influence on the organizational culture of the University in general and at its deepest level (the basic views, convictions and beliefs of the collective) in particular. So we shouldn’t underestimate the influence of this cluster on the culture of the University, although the cluster is not the largest.

The cluster also includes: one third of interviewed male professors; a third of professors at the age of 45-60; nearly a third of professors over the age of 60; half of the representatives of the School A6; nearly half of the School B; a third of School C; and almost one third of the professors who did not take University professional development programs during the last 5 years.

Cluster 2 – "Progressive Professors" (54% of respondents).

This cluster is characterized by the highest average scores for most substantial questions with particularly high values of answers to the last four questions on the relationship to change. Representatives of the cluster interact well with a Chair, they easily find understanding with students, are conscious of the need of implementing new standards and support the ways of implementing them.

It is important that this cluster is the largest one: it comprises more than half of all the respondents, which seems to be a very positive characteristic of the university faculty. This cluster embraces the majority (2/3) of interviewed professors aged 30 to 45 years and has fewer professors over age 60 than other clusters. The cluster includes 2/3 of the faculty of Schools D and E.

Cluster 3 – "Observers" (24% of respondents).

This cluster can be called the most controversial and interesting in terms of research. On the one hand, the representatives of this cluster support the objectives of the new educational standards and on the other hand, are sharply negative toward the module-rating system of assessing students outcomes, which, as stated above, is used in the university as a means of real (not declared) transition to the new standards. At the same time, the question of the module-rating system was the only one in the questionnaire related to the real work of a professor and his or her main responsibilities. We can assume that either the representatives of this group do not really wish to implement the new educational standards that they support in words, or they consider the approach used by the university administration to be ineffective. In our view, any of the assumptions justify the name of the cluster: a positive attitude towards the overall objectives of the change combined with unwillingness to implement it.

We should add that the cluster demonstrates a relatively worse attitude toward students and relatively low willingness to participate in joint activities with colleagues in the Department. It may be an indicator of low involvement in work (however, this index is about the same in the first cluster, whose representatives are skeptical about the purpose of change).

A very significant fact is that this cluster includes only one professor who has the fourth academic degree. The age structure of the cluster is also worth mentioning: one third of all the respondents are more than 60 years old and one third of those who are less than 30 years are represented in it. In other words the cluster contains a disproportionate number of both the youngest and the oldest professors. It also includes a disproportionate number of professors without the third or fourth degree. The cluster comprises half of the representatives of School F.

It may be noted that the distribution of faculties of different schools in clusters differs very substantially (see table 3).

This distribution reflects different cultural situations in the schools, the dominance of various subcultures in different schools which may reflect the personalities of Deans and Department Chairs, and on the weak influence of the Rector's Office on the culture of the faculty as a whole.

Table 3. Distribution of Schools representatives in the clusters

School	"Skeptics"	"Progressive Professors"	"Observers"
G	25%	50%	25%
A	50%	25%	25%
H	11%	52%	37%
F	27%	28%	45%
B	33%	60%	7%
E	0%	72%	28%
C	44%	43%	13%
D	20%	70%	10%
I	25%	50%	25%
University Departments	15%	69%	16%

Cultural relationships

How the different views and relations of the university faculty are related is of undoubted interest. Correlation analysis revealed the following[7].

1. If a professor feels that colleagues regard him as an important member of the team and treat him with respect, he also states that his or her Chair appreciates him as a specialist.
2. If a professor says that his (her) Chair is a real leader of the team, he (she) is also sure that the Chair appreciates him as a specialist.
3. If a professor feels that his (her) Chair is a real leader of the team, he (she) also claims that the Chair is demanding in terms of duty performance.
4. If a professor believes the Chair values him (her) as a specialist, he or she also claims that the Chair is demanding in terms of duty performance.
5. If a professor believes that the Chair is a real leader of the team, he (she) also claims that his (her) Department' activity is focused on implementing the new educational standards.
6. If a professor feels that the Chair is demanding in terms of duty performance, he (she) also claims that his Department is focused on implementing the new educational standards.
7. The more confidently a professor says that colleagues regard him as an important member of the team, the more actively he or she is involved in joint activities with colleagues at the Department.
8. If a professor feels that it is important to plan educational outcomes and the level to which they should be mastered, he (she) also thinks that a module-rating system of students' assessment is really necessary.
9. If a professor feels that it is important to plan educational outcomes and the level to which they should be mastered, he (she) also thinks that the primary mission of a university education is teaching students to master professional competencies.

The analysis of correlations diagram shows that central variables associated with many aspects of the work of a professor are the professor’s perception of the degree of respect shown to him/her by colleagues, of leadership qualities of the Chair, of the degree of his or her Chair’s respect, of the Chair’s exactingness and of the importance of planning clear educational outcomes.

The interconnection of the answers to the four questions dealing with the relationship with colleagues and with the Chair are easily understandable. However, the direct correlation of answers to the question on the degree of orientation of the Department activity toward new educational standards with answers to questions about a Chair’s leadership qualities and his (her) exactingness are of some interest. This may mean that professors estimate the leadership qualities and exactingness of the Chair first of all by the efforts he or she makes to implement the new educational standards. Professors see a Chair’s desire to conduct effective changes, and this inspires respect that is undoubtedly positive both in cultural terms and in terms of the need to change traditional modes of activity. The fact that both interest in the work and participation in joint activities are positively correlated with respect from colleagues can also be considered positive characteristics of the culture of the university faculty.

There is also significance in the interconnection of answers to the question about the importance of planning educational outcomes with the answers to three other questions: change in the primary objective of a university education: the need to implement the module-rating system of students’ assessment; and a professor’s participation in joint activities with colleagues in the Department.

As for the first two correlations, they are quite understandable since the real activity of a professor in implementing new standards, as well as the development of training modules and rating cards, requires precise planning of educational outcomes. Moreover, these correlations confirm the long-standing hypothesis of the author of this article, that ability to clearly articulate expected educational outcomes (and to choose appropriate tools for assessment) is a core competence of any teacher (not just a university professor), and the level of development of this competence (which is generally low in Russian education) is the main indicator of a teacher’s professionalism and the ultimate factor influencing his or her professional consciousness.

But the third correlation seems curious as it apparently reflects the efforts of the university administration towards implementing the new educational standards. In fact, the more actively a professor communicates with colleagues, the more confidently he/she says that it is important to plan precise educational outcomes. In other words, activities and communication at the Department level force professors to change the concept of teaching.

No less curious is the fact that answers to questions about the attitude toward students are separated from other faculty views and represent a separate area of professors’ consciousness. The author of the study expected to find correlations here, as the educational process is implemented by means of communication with students. So the lack of correlations of answers to these questions with others seems sad, no matter whether it is caused by wrong hypothesis or by weaknesses of the culture of the university faculty.

Here are the findings of correlation analysis of substantial questions and professional and demographic characteristics of respondents.

1. Females are a bit more actively involved in joint activities with colleagues at the Department.
2. A professor's interest in the work slightly increases with age.
3. Young professors have slightly more liberal attitudes to the students and are more positive toward the module-rating system.
4. An academic degree (especially the fourth one) gives a professor confidence that colleagues respect him (her) and consider an important member of the team, as well as that a Chair appreciates him as a specialist.
5. However the professors who do not have the third or fourth academic degree share to a greater extent the goal of implementing the new educational standards .
6. Professors, who have gone through university professional development programs during the last 5 years are more confident in the respectful attitude of colleagues and in their own importance for the team, and are more involved in joint activities with colleagues at the Department. They demonstrate a more positive attitude toward changes in university education, including the application of module-rating system to student assessment.

We should note here that professional development programs which the university administration conduct are very effective not only in terms of implementing new educational standards but also in changing the corporate culture.

Administration Perspective

Several representatives of Rector's and Deans' offices were interviewed in order to clarify the findings of the faculty survey and to explore other aspects of faculty corporate culture (subculture).

The majority of these administrative respondents noted structural problems of the University. The organization is rather large; the buildings of the university are located in different parts of the city, a fact which can't help influencing the commonality of culture. This is one of the reasons for the large number of subcultures, which significantly differ from each other. It is important to note that the Rector's Office does not specify or pronounce common values, so it is difficult to recognize them. This produces a situation where some people working in the same institution or even in the same department, perform the same functions differently, have different views of the same problem, aim at different objectives, engage different policies, and do not pay attention to the interests and concerns of other schools and the university as a whole.

This may be the main reason for the problem of communication that was mentioned by nearly all the administrators. It manifests itself in the way various Dean's offices and Departments interact with the university administration (Rector's Office) and with each other. There is no mutual understanding in many areas. Representatives of the Dean's offices note some isolation of the University Administration from the schools and departments. Moreover, many functionaries of the University Administration are said not to be interested in achieving university objectives and just want to get rid of excessive work.

All the administrators agreed that no destructive conflicts appeared in the interaction between faculty members.

The administrators state that the majority of professors do not aim at demonstrating their superiority and domination in their relations with students On the other hand, the administrators point out that some professors do not want to build up a constructive relationship with the students and do not consider it important. They simply perceive students as material to work with while delivering lectures

Many administrators perceive the relationship between professors and students in different schools to be significantly different. Moreover, the students of different schools differ from each other, and this situation reflects very different cultural paradigms.

All the representatives of the administration consider the implementation of the new educational standards to be very "painful". A substantial part of faculty do not understand the necessity of it, while others face difficulties in doing this work. However, almost all the interviewed representatives of the Rector's and deans' offices do not see the situation as critical, because they understand that innovations and changes do cause resistance and professors have to significantly readjust to these changes both psychologically and culturally. So the administration has to find the means to overcome this resistance of the faculty.

Administrators think that traditional knowledge–based component of education remains the most important for the majority of professors, while the new educational standards declare competences as the main outcome of teaching-learning process. At the same time administrators see a significant change in the consciousness of professors. They are beginning to accept the new standards. Faculty development organized in the university and carried out regularly plays an important role here.

Administrators also identified key problems in the organization of the university's work, each of which contains a cultural dimension; they put forward some ideas for improving the culture. Among them are the following considerations:

- there is a need to improve the organizational structure; the existing structure is unconsolidated, which impedes the effectiveness of its functioning and makes internal interactions difficult.
- it is also necessary to change the process for assessing the subdivisions and specific administrative positions and to make assessment of performance more dependent on the results of activity.
- it is important to introduce new values and rules of behavior which would place students and professors (and not administration) in the focus of attention;
- there is a need to change HR policy, to focus on recruiting new strong leaders, to replace inefficient people in the Rector's office;
- a change in the organizational structure seems reasonable; it is necessary to consolidate some schools and departments as they are too small and do not provide appropriate results.
- radical change of the reward system is needed. Salary should depend on whether a professor achieves the actual goals and objectives of the university, not on his/her degree.

Conclusion

Findings of the empirical research data analysis discussed above can be interpreted in different ways. The author has tried to do it as carefully as possible because he was aware that this study of faculty culture could be more deep. We also believe that the culture of faculty in different universities (provincial and humanitarian as well) may differ significantly.

But we can assume that for this university, as an institution engaged in education (we should remind the reader that faculty attitudes toward research activity have not been studied), “not all is lost”. In fact, there are no serious conflicts between professors (as happens in a number of universities in the country), faculty relations with the chairs of departments and attitudes toward chairs are good enough. Professors are interested in their work; they are not hostile to implementing new standards, moderately resist necessary changes in activity. There is a feeling that university administration is truly oriented towards real changes (at least in teaching).

Yes, there are groups of professors with more negative attitude to the changes, who are not very willing to implement them. But they are the minority, and represent the older generation (the resistance of which should be stronger) and the youngest part (perhaps not yet socialized in the university).

At the same time, there is a feeling that the university administration does not use particular instruments of influence on corporate culture and, perhaps, on the situation in the university as a whole. And that particular finding may be typical in terms of its extension to many other universities. The existence of significant differences in the cultures of different schools suggests the critical dependence of professors’ views, attitudes, and values on the personalities of the heads of schools and departments. Of course, this can be easily explained by the fact that these heads select the professors and constantly work with them. However, this may mean looseness in organizational structure, the lack of emphasis in the strategy (or the absence of strategy) where the activities of individual administrators and services are not fully focused on the new objectives, which results in a very high “degree of freedom” for middle level administration. Perhaps it is necessary to think about revising the Departmental system of universities, which comes into evident collision with new educational standards.

On the other hand, if the status and condition of schools and departments of a university inevitably depend on personalities of their heads, rectors may have to change their personnel policy. Candidates for these positions should be selected primarily based on their managerial competencies and not because they possess the highest academic degree, as most often happens today in provincial universities.

Finally, the reward system that exists in almost all universities in the country (in terms of salary for teaching hours) needs to be improved. Now, salary depends almost exclusively on the academic degree earned, and this can’t help orienting the culture on clan or hierarchical patterns, which are not adapted to situations of change.

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Endnotes

1 New State Higher Education standards in Russia describe educational outcomes in terms of professional skills or competencies as opposed to “pure academic knowledge” in the previous standards.

2 The module-rating system in students’ evaluation requires precise planning of educational outcomes and the means of their evaluation.

3 This is one of the main ideas of new Russian education standards.

4 These groups may represent faculty subcultures of this university.

5 The Russian system of academic degrees differs from the Western: the PhD degree is split into Candidates (third degree) and Doctors (fourth degree).

6 We have obligation not to name the University and the Schools of the University.

7 Only statistically significant correlations were taken into account in compiling this list.

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INVESTIGATION OF CROSS-CULTURAL DISTINCTIONS EFFECT ON THE CONSUMERS' BEHAVIOR IN THE HIGHER EDUCATION MARKET[3]

Abstract

The article states that the investigations of the cross-cultural distinctions effect on the consumer behaviour are challenging and popular in the international scientific and business community and are of the interdisciplinary character. The objective of this investigation is to develop the methodological approach to the assessment of the cross-cultural features impact on the consumers' behaviour in the higher educational services market. The culture model disclosing the list of the cultural values, material and institutional environment characteristics, adapted to the Universities educational services market, was developed during this investigation. The method for creating the contingency matrix of the elements, forming the model of a certain country consumers' culture, and the consumers (students) behavioural features in the market of the higher educational services grouped against the 7P complex (Product, Price, Promotion, People, Process, Physical evidence) has been suggested. The developed methodical approach has been approved by Chinese and Russian students. The investigation outcomes can be used to develop the measures to improve the international competitiveness of universities.

Key words: *cross-culture, culture model, consumers' behaviour*

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ИСТРАЖИВАЊЕ ЕФЕКАТА МЕЂУКУЛТУРНИХ РАЗЛИКА НА ПОНАШАЊЕ ПОТРОШАЧА НА ТРЖИШТУ ВИСОКОГ ОБРАЗОВАЊА

Апстракт

У раду се наводи да су истраживања утицаја међукултурних разлика на понашање потрошача су изазов и популарна у међународној научној и пословној заједници и да су интердисциплинарног карактера. Циљ овог истраживања је да се развије методолошки приступ процене карактеристика међукултурног утицаја на понашање потрошача на тржишту услуга високог образовања. Модел културе који открива листу културних вредности,карактеристика материјалне и институционалне карактеристике окружења, прилагођене тржишту услуга универзитетског високог образовања, развијен је током овог истраживања. Метод за стварање случајне матрице елемената, формирање модела културе потрошача одређене земље и карактеристика понашања потрошача (студената) на тржишту услуга високог образовања груписаних према 7П комплексу ((Производ, Цена, Промоција, Људи, Процес, Физички докази) је предложен. Развијен методолошки приступ је усвојен од стране кинеских и руских студената. Резултати истраживања могу да се користе за развијање мера за унапређење међународне конкурентности универзитета.

Кључне речи: *међукултурни, модел културе, понашање потрошача*

Introduction

The economic development today should be based on the improvement of the conditions for the human capital reproduction. It should occur simultaneously with the education modernization as the basic condition for a qualitative development of human resources to provide the economy proportional development. The current state of the universities necessitates the solution of a number of problems to improve their effectiveness and competitiveness.

Globalization results in boundary spanning between the countries without the cultural features sacrificing, promoting the topicality of the cross cultural investigations of the consumers' behaviour in different goods and services markets. The geographical borders are crossed with fewer risks than the cultural borders are due to the greater rigidity and resistance of the nation cultural values to any changes in comparison to the technologies and other factors affecting on the consumers' behaviour. The culture, in the current context, influences on all stages of the decision making about purchasing a good or a service by a consumer, including the problem recognition, information searching, options assessment and others. However, the consumers' choice depends on their cultural environment characteristics and on the processes of the cross-cultural interactions. The same situation is significant in the higher educational services market. Increasing competition among the countries, anticipates the necessity of searching new sources of the universities compatibility improvement. Consideration of the cultural characteristics of the educational service consumers’ behaviour may become one of the factors for the universities international competitiveness improvement. The objective of this investigation is to develop the methodological approach and tools for investigating the cultural characteristics influence on the consumers’ behaviour in the higher educational services market.

The sources of the cross-cultural scientific researches originate in the anthropologists investigations analysing the human psychology from the point of view of their scientific subjects. At present fundamental investigations in this field are conducted by scientists across the different fields of knowledge: psychology, biology, ethnopsychology, economics, management, marketing, sociology, culturology, biomedicine and others. Cross-cultural investigations in the context of the universities international competitiveness were described in some papers (Aghionet et al., 2010; Buela-Casalet et al., 2007; deFilippoet et al., 2012; Dillet et al., 2005; Filinovet et al., 2002; Glänzelet et al., 2002; Li et al., 2005; Harvey, 2008; Liuet et al., Merisotis, 2005; Merisotiset et al., 2005; Mohrman, 2013; Moket et al., 2011; Mok, 2014; Rodionovet et al., 2014; Yaşaret et al., 2012; Yonezawa et al., 2002). The cross-cultural investigations issues of customers’ behaviour are described in the several papers (Agarwal et al., 2010; Al-Hyarietal et al, 2012; Cheung et al., 2011; Dimitrova et al., 2014; Gelade, 2008; Gesteland, 2012; Harrison, 2006; Hofstede et al., 2002; Redden et al., 2011; Sankaran et al., 2011; Yousaf et al., 2013).

The papers of the above mentioned scientists indicate the specificity of the culture and personality interrelations, the developed methods for studying their interrelations character, investigation of the cultural influence on the consumers’ behaviour. At present the empirical approach dominates in the cross-cultural researches: most part of the theoretical conclusions is based on the field surveys. The main problem of the cross-cultural researches is the lack of the universal methodological approaches to the investigations of the cross-cultural features effect on the consumers’ behaviour in different countries. The current measurement methods are the products of the certain culture, reflecting the specificity of this particular culture, which makes its adaptation difficult in the context of the other cultures. All of this proves the timeliness of the investigation topic and insufficient intensity of its study.

Methodology

The methodical tools developed for the investigation of the cross-cultural distinctions influence on the customers’ behaviour on the service market starts with the determination of the investigation logics, formation of the investigation main hypothesis, development and validation of the inquiry questionnaire. The final stage is the evaluation of the suggested tools by the Chinese and Russian students.

1. Challenge problem:

The problem to be investigated is to find out the lags in the customers’ behaviour in different cultures (Russian and Chinese) on the higher educational services market;

The problem to be solved is to adapt the universities marketing mix (Product, Price, Promotion, People, Process, Physical evidence) to the features of the certain culture consumers' behaviour while admitting and training students of different nationalities, which is the pacing factor for the international competitiveness of the university.

2. Determination of the investigation purposes and objectives:

The purpose of the investigation is to study the culture model influence on the consumers' behaviour on the higher educational services market of Russia and China.

According to this purpose the following objectives are set up in this investigation project:

a) To develop a culture model considering the higher educational services market features;

b) To determine quantitatively the culture model elements effect on the consumers' behaviour model parameters on the higher educational services market.

3. Formation of the investigation main hypothesis

Hypothesis 1: the culture model is formed under the influence of the cultural value system, institutional and material environment elements.

Hypothesis 2: consumers' behaviour features of the higher educational services market depend upon the certain country culture model.

4. The investigation methods: cabinet and field investigation using quantitative and qualitative data collection methods.

The main trends of the investigation are the following:

- culture values investigation (Solomon, 2012): terminal values (active exciting life, life wisdom, health, job, nature and art beauty, love, material well-being, friends, public recognition, intellectual development, productive life, physical and intellectual improvement, entertainments, freedom, family, happiness of others, art, self-confidence); instrumental values (punctuality, politeness, high-level requirements to the liveliness, sense of humor, discipline, self-consistency, uncompromising attitude to oneself and to others, education, sense of responsibility, rationality, self-control, courage to persist in one's opinion, solid will, tolerance, honesty, understanding of the others opinion, diligence, delicacy);
- institutional environment investigation: the influence level of the global (regional) geopolitical situation on the educational institution preferences; the level of the diplomatic relations between the countries; the level of the political stability in the country; the level of the social infrastructure development, influencing on the population life quality; the level of the government educational regulations; the influence level of the country population beliefs on the educational services proposal; the influence level of the religious restrictions on the educational services consumption;
- material environment investigation: the level of the technological and scientific environmental development in the country; the education institutions availability; the level of the modern technologies and equipment utilization at the educational institutions; the education institutions geographical situation; the level of the country economic development;
- customers' behaviour features investigation on the market of the higher educational services against the 7P complex (Product, Price, Promotion,

People, Process, Physical evidence). The issues of the marketing mix components are divided into 7 main blocks. The issues from each component were divided into sub-issues to define the respondents' relation more precisely.

Block 1. (Product):
Educational program variety:
- According to the proposed education degree (pre-higher education, bachelor, master, post-graduate);
- According to the training areas and profile;
- Joint dual-degree programs;
- Programs for professional retraining.

Block 2. (Price): cost of education.

Block 3. (Place):
- Realization of education programs by franchising;
- Existence of special agreements with the admitting higher education institutions admitting students and rendering them additional services such as the training programs for accessing a higher education institution, English language courses, training for the qualification examinations;
- The university location.

Block 4. (Promotion): promotion of the university educational programs, information about the rendered services, their quality, faculty qualification, including:
- Conducting open Information Weekends;
- The university site availability;
- Conducting career days;
- Issuing of newspapers and magazines publications, brochures.

Block 5. (People):
Academic staff, including:
- Average age of the academic staff;
- The level of the academic staff qualification;
- The university technical personnel.

Block 6. (Process):
- Various forms of education availability.

Block7. (Physical evidence):
The level of higher education institution social infrastructure development including:
- Dormitory availability;
- Hotel availability;
- Availability of canteens in every academic building;
- Canteen availability in every dormitory;
- Outlets for selling food products (beverages, pies, etc.) in every academic building
- Outlets for selling food products (beverages, pies, etc.) in every dormitory;
- Availability of the higher education institution health and recreation resort;

- First-aid post availability;
- Copy shop availability;
- Outlets for selling stationary goods;

The development level of the material and technical facilities, providing the academic process, including:

- Stadiums availability (volleyball, football, basketball, tennis courts);
- Sport hall availability;
- Number of classrooms (lecture halls), specialized classrooms, laboratories;
- Size of classrooms (lecture halls), specialized classrooms, laboratories;
- Library availability;
- Free Wi-Fi availability in the academic buildings.

5. The sources of the secondary information. To develop the tools for the field investigations, content analysis of the secondary information on the studied issue should be carried out. Printed and electronic, business and specialized publications, professional books, internet resources, analytical review articles in press are recommended to be considered as the sources of the secondary information.
6. Raw information collection. The results of the Russian and Chinese student questionnaire survey are the raw information sources. The purpose of the questionnaire survey is to obtain quantitative estimates to define the dependence of the consumers' behaviour on the higher educational services market upon the culture model.
7. Determination of the sampled population. The sampled population for conducting the questionnaire survey included 520 persons. While the sampled population forming, the age, education and nationality were considered.
8. Data analysis. The obtained questionnaire survey results were processed by the statistical methods, creating the contingency matrix of the cultural elements and the consumers' behaviour parameters.

Results

The educational services market in the Asian-Pacific region is rapidly developing. Globalization and economic integration change the current education system concept. Students can choose the education level, place and ways of its obtaining. The education markets in the PRC, Singapore, Malaysia, developing at a quick rate, have already deprived the USA, Great Britain and Australian traditional markets of their competitive advantage. Today education is notably crossing over the economic life of the society and the education activity is becoming the most important component of the country economic development. Some definite trends have developed on the educational services market in the Asian-Pacific region:

- Absolute increase of the students number;
- Global education internationalization and openness (educational service export has become one of the most perspective trends of the foreign economic relations in the Asian-Pacific region countries for the last decades;

- Higher education mass nature increase (in the XXI century higher education becomes a key and fundamental component of the human community sustainable development;
- Rush development of the East Asia countries in the field of education;
- Growth of the informational transformation (the creation of the global information networks practically effaced the boundaries between the states in the field of the educational information flow, confronted the education with an accomplished fact when not only educational institutions but also global information resources have become the source for a new knowledge and educational information obtaining);
- Continuous education;
- Increasing role of the English language in the education system;
- Higher education diversification and internationalization (diversification relates to the establishment of new educational institutions, introduction of new education trends, new disciplines, arranging interdisciplinary programs. Internationalization is aimed at the national systems rapprochement, defining and developing common universal concepts and components in them, those foundations which are the basis for the national cultures variety, contributing to their mutual enrichment and stimulating them for achieving high standards).

Educational services, having a number of unique properties relating to the consumer involvement in the production process, perishability, and intangibility of the obtained information and its quality, create some complexity problems in promoting and introducing them to the service market. Those difficulties are faced not only by the service producers, but also by the consumers who should choose the proper educational institution and education program necessary to satisfy their requirements for obtaining knowledge and appropriate education. Due to this fact, educational institutions should research the educational market, cross-cultural features of these services consumers to stay competitive.

Culture model building.

J. Moven (1995) culture matrix, adjusted to the higher educational services market was used while developing the culture model. The elements, making up the culture model, were represented as the cultural environment (terminal and instrumental values) material and institutional environment. The culture elements were evaluated by the respondents according to the Likert scale, where 1 means strongly disagree; 2 means disagree; 3 means neither agree, nor disagree; 4 means agree; 5 means strongly agree. A questionnaire survey of Chinese and Russian students was conducted on the basis of the developed methodical instruments. Its results allowed determining the significance of terminal and instrumental values for the respondents (fig. 1, 2). Terminal values are the values which cannot be explained by other, more common or more important values. Such values usually include: love, happiness, wisdom and others. Personal traits backing up a person in the life are usually considered as instrumental values. They are: politeness, responsiveness, diligence and others (Solomon, 2012).

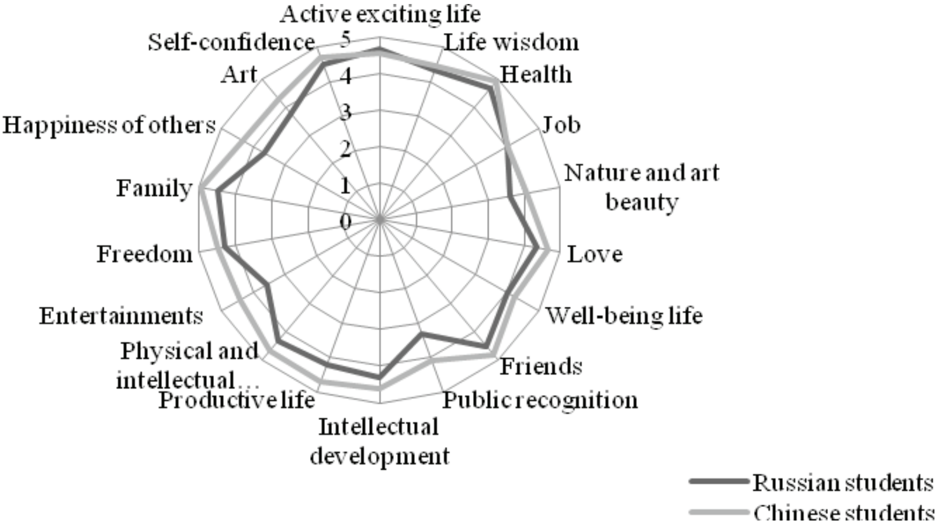

Figure 1. The distribution of the respondent average estimates against the terminal values according to the Likert scale, author's development

Russian students indicated health, active life, family and self-confidence as the most important terminal values. Chinese students indicated family, health, friends, productive life, and self-confidence. The analysis outcomes showed that the most notable gaps in the terminal values significance were in such values as entertainments, public recognition. It should be noted that the investigated group (students) age peculiarities made the impact on the value system to a greater extent than the cultural features did.

Instrumental value characteristics are shown in figure 2.

Figure 2. The distribution of the respondent average estimates against the instrumental values according to the Likert scale, author's development

The same sort of situation occurs while assessing the instrumental values by the Russian and Chinese students. The most important instrumental values for the Russian students are the following: independence, honesty, diligence and ability to understand someone else's point of view. Chinese students indicate the following instrumental values as the most important ones: politeness, diligence, punctuality, honesty and responsiveness. The most notable gaps in the instrumental values assessment are in such items as uncompromising attitude to disadvantages and punctuality.

The satisfaction with the elements of the material environment is characterized by the greater gaps than that with the cultural values according to the assessments of the Russian and Chinese students (Figure 3).

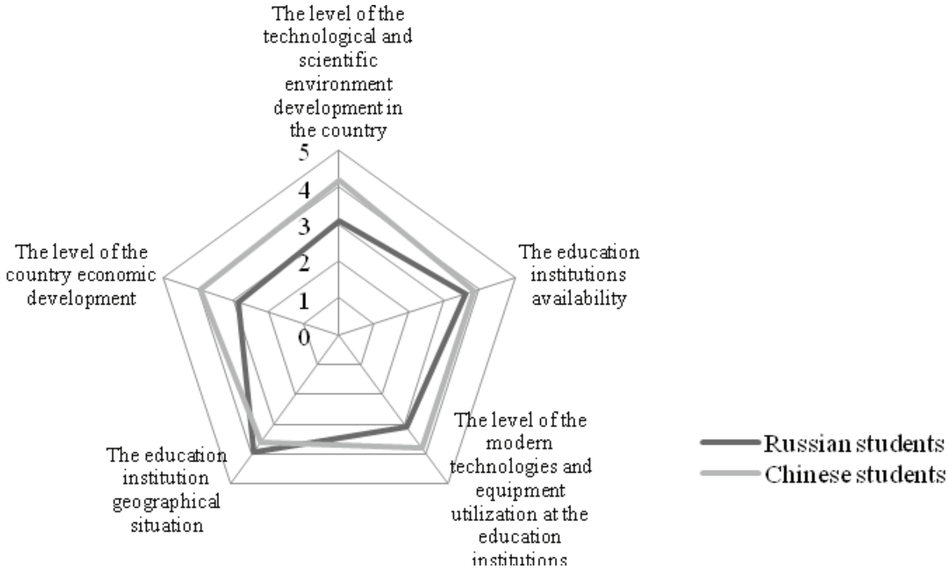

Figure 3. The distribution of the respondent average estimates against the satisfaction with the material environment characteristics according to the Likert scale, author's development

It should be noted that the Russian student satisfaction with the elements of the material environment is significantly less than that of the Chinese students, which influences on the culture model formation, that, in its turn, forms the consumers' behaviour in the higher educational services market.

The respondents' estimates of the institutional environment show that Chinese students are greatly satisfied with the institutional environment elements. The greatest gaps in the respondents' answers are stated on such indicators as the population life level and quality, the level of the political stability in the country, as well as the level of diplomatic relations between the countries.Students estimate coincide on such indicator as global (regional) geopolitical situation influence on the choice of the educational institution, which is especially important for choosing the educational institution abroad.

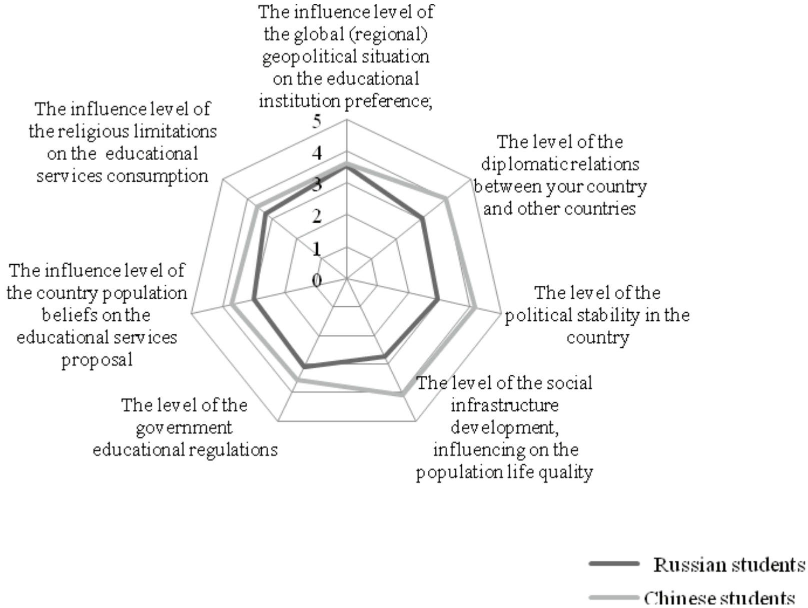

Figure 4. The distribution of the respondent average estimates against the satisfaction with the institutional environment characteristics according to the Likert scale, author's development

The hypothesis that the cultural model is formed under the influence of the cultural value system, institutional and material environment has proved to be completely true.

To confirm the second hypothesis the authors, basing on the questionnaire survey, applied the statistical analysis method by developing the contingency matrix of the elements, forming the culture model and the students' behaviour characteristics in the higher educational service market, grouped against the marketing mix 7P (Product, Price, Promotion, People, Process, Physical evidence) (table 1, 2).

Table 1**.** Matrix of Russian students behaviour characteristics (against Product, Price, Promotion, People, Process, Physical evidence) compliance with the culture model elements in the higher educational service market, authors development

Culture elements Marketing mix elements	Cultural values	An institutional environment	Material environment
Product	4.3	4.1	4.3
Price	4.2	4.3	3.8
Place	4.2	4.1	4.2
Promotion	4.8	4.1	4.3
People	4.1	3.9	4.1
Process	4.7	3.9	4.1
Physical evidence	4.4	4.2	4.4

The analysis of the contingency matrix of Russian students behaviour characteristics and the culture model elements in the higher educational service market demonstrates a high level of the culture elements influence on the consumers' behaviour in the higher educational service market (values of the marketing mix elements indicators compliance with the culture model elements vary in the range of 3.8-4.8 on the five-point scale). However, the extent of the culture model elements influences on the consumer behaviour regarding the product choice (educational service), its cost, promotion etc. is different.

Summarizing the investigation results it was found that the culture model influence on the choice of the educational level (pre-higher education, bachelor, master, post-graduate programs), major and profile, joint double degree programs, professional retraining programs were demonstrated up to an average extent (values of the marketing mix elements indicators compliance with the culture model elements vary in the range of 4.1-4.3 on the five-point scale). The same principles were found while analysing the culture model influence on the Russian students' attitude to the choice of the education costs, availability of the educational franchising programs, special agreements with the admitting high school, university location, availability of the university social infrastructure, including dormitories, hotels, canteens, food products sales outlets, university first-aid posts, copy centres etc. It should be noted that the culture model elements have special effect on the students' preferences in choosing the communication options (open Information Weekends, university site, career days, newspaper and magazine publications, advertising materials etc.) which affect cultural values to a greater extent (4.8 points to 5).

The culture model influence on the Chinese students' behaviour in the higher educational service market is slightly different (Table 2).

Table 2. Matrix of Chinese student behaviour characteristics (against Product, Price, Promotion, People, Process, Physical evidence) compliance with the culture model elements in the higher educational service market, authors development

Culture elements Marketing mix element	Cultural values	An institutional environment	Material environment
Product	4.4	4.5	4.1
Price	4.6	4.7	5.0
Place	4.5	4.6	4.9
Promotion	4.5	4.5	4.9
People	4.3	4.4	4.7
Process	4.4	4.5	4.8
Physical evidence	4.4	4.5	4.9

The high level of the institutional and material environment, development interrelations and their influence on the consumers' behaviour in the higher educational service market can be traced when the educational program, its cost, students' requirements for the academic process arrangement and for the university social infrastructure conditions are chosen. The institutional and material environments, in their turn, influence on the cultural values formation for the certain nation representatives.

The culture model is more influential on the Chinese students' preferences in the cost, university location and on their respond to the certain promotional tools.

Conclusion

The outcomes of the investigation are the following:

1. The methodological approach and the tools for analysing cross-cultural distinctions effect on the students' attitude to the offered higher education services in terms of 7P (Product, Price, Promotion, People, Process, Physical evidence) were developed.
2. The following factors effecting the culture models formation and building were determined:

- The list of cultural values (terminal and instrumental);
- Institutional environment elements (the influence level of the global (regional) geopolitical situation on the educational institution preference; the level of the diplomatic relations between the countries; the level of the political stability in the country; the level of the social infrastructure development, providing the population life quality; the level of the government education regulations; the influence level of the country population beliefs on the educational services proposal; the influence level of the religious restrictions on the educational services consumption;
- Material environment elements: (the level of the technological and scientific environmental development in the country; the education institutions availability; the level of the modern technologies and equipment utilization at the education institutions; the education institutions geographical situation; the level of the country economic development).

The culture models for the analysed countries adapted to the certain Asia-Pacific region countries educational services markets were built on the basis of the determined factors. The gaps between the Russian and Chinese culture models were defined during the cross-cultural analysis. The factor analysis influencing on the culture model formation confirmed the hypothesis that the cultural value system, institutional and material environment elements were the most significant factors.

3. The methodological approach and the tools for estimating the culture elements influence on the students' attitude to the choice of the educational services offered by the universities in terms of 7P (Product, Price, Promotion, People, Process, Physical evidence) was suggested. The cross-cultural gaps between the Russian and Chinese students' behaviour on the higher educational services market, which should be considered by the universities to improve their international compatibility, were determined on this basis. The high level of the cultural values influence on the students respond to different promotion complexes elements used by the universities was specified. Unlike Russian students, the Chinese students cultural features are to the great extent formed under the influence of the institutional and material environment elements, which in their turn, influence on their cultural value system changes.

Future investigations of these issues can be aimed at the confirmation of the hypotheses suggested in the paper on the extended empirical investigations by the example of the increased number of both Asian and European countries. A complex approach, including both quantitative and qualitative investigation methods (focus-groups, in-depth interviews with the representatives of different cultures of the target group and others) is needed.

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BUSINESS PROCESS OUTSOURCING AS A TOOL FOR IMPROVING ENTERPRISE EFFICIENCY

Abstract

The purpose of this paper is pointing out the relevance of outsourcing of business process project and strategic option for improving enterprise efficiency and realizing the competitive advantage. The aim of the paper is designing a conceptual model for implementation of BPO concept, which contains four generic steps: establish a business process outsourcing team, conduct a business process analysis, determine BPO possibilities, develop and present the business plan of BPO. The proposed model helps the clients and service provider organizations in understanding critical steps in realizing the intended BPO project.

Key words: *business process, management, outsourcing*

JEL classification: M11, M21, O31

АУТСОРСИНГ ПОСЛОВНИХ ПРОЦЕСА КАО АЛАТ ЗА УНАПРЕЂЕЊЕ ЕФИКАСНОСТИ ПРЕДУЗЕЋА

Апстракт

Сврха овог рада је да истакне значај пројекта и стратегијске опције аутсорсинга пословних процеса за унапређење ефикасности предузећа и остваривање конкурентске предности. Циљ рада је дизајнирање модела за примену концепта аутсорсинга пословних процеса, који се састоји од четири корака: планирање аутсорсинга процеса, дефинисање тима задуженог за аутсорсинг, откривање потенцијалних могућности, као и развијање плана аутсорсинга. Предложени модел је од помоћи предузећима која користе стратегију аусорсинга процеса, као и предузећима пружаоцима услуга аусорсинга у разумевању критичних корака у реализацији пројекта аутсорсинга процеса.

Кључне речи: *пословни процеси, управљање, аутсорсинг*

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Introduction

Outsourcing has become an important business tool over the past decade. It is an arrangement in which one organization provides services to another organization that could also be or usually have been provided in-house. A competitive advantage may be gained when products or services are produced more efficiently and effectively by outside service (process or activity) providers. More and more large and small companies are turning to outsourcing as a grow method or strategy with the aim of controlling of overhead costs, restraining payroll and better access to outside knowledge. Outsourcing can provide companies to use resources efficiently and effectively by using the industry best practices and improve their business processes, enter or create new markets. Business process outsourcing secured from external providers, bring enterprises (which use this strategy) extensive world-class competencies and resources to meet the requirements and needs of their internal and, especially, external customers. Cooperating with a superior service (business process) provider can offer access to new technology, knowledge, intellectual and other material resources that the client may not own.

The levels, drivers and types of outsourcing

There are three levels of outsourcing – tactical, strategic and transformational.

Tactical outsourcing is used by companies to determine and solve specific problems. Regularly the firm is already in ''problems'' and outsourcing is seen as an immediate approach to address them. Regular problems are the following (Brown & Wilson, 2005, p. 20): the lack of financial resources, deficient internal managerial competence, an absence of talent, or a desire to downsize, etc. Tactical outsourcing is a type of traditional outsourcing and is taking into account cost control and the make-or-buy decision. The tactical outsourcing results in obvious advantages as cash savings, cash infusion from the sale of assets, etc. (Ghodeswar & Vaidyanathan, 2008, p. 26).

The outsourcing activity becomes *strategic* when it is adjusted to the organization's long-term corporate or business strategies, and when the advantages of outsourcing project will rise. Strategic outsourcing is relevant for an enterprise and its future core capabilities, organizational structure/architecture, cost, business performance and competitive position (Maurice & Greaver, 1999, p. 8).

Transformational outsourcing is defined as a long-term relationship through which a service provider assists the client in stimulating continuous business change while also achieving operational effectiveness. This level of outsourcing is an emerging practice, where organizations are looking outside for help for more fundamental reasons – to encourage quick organizational change, implement new strategies, and reshape company boundaries.

Transformational outsourcing places the ability to convey new capacities to the organization squarely in the hands of executives who have and value these capabilities. In other words, the outsourcing partner provides a management team that is experienced in the capability that the organization seeking change needs. Also, those executives are empowered by the outsourcing process to implement the practice they bring with them (Chew & Gottschalk, 2013, p. 338).

A large number of studies have analysed *the drivers of outsourcing*. While many drivers are unique to specific companies and industries, there are some common key factors that motivate companies of all industries to make outsourcing decisions. These factors can broadly be categorized as economic, strategic and environmental (Table 1).

Outsourcing has three clear types since it initially created: a) manufacturing outsourcing, b) information technology (IT) outsourcing and c) business process outsourcing (BPO) (Mahmoodzadeh et al., 2009, p. 846).

Manufacturing outsourcing, which has become strategically important, refers to the process of determining which of the various manufacturing activities ought to be offered out to an outside service provider. The essence of manufacturing outsourcing is the use of production facilities of different firms instead of using production facilities in-house or making new manufacturing investments (Ehie, 2001, p. 31).

Loh & Venkatraman (1992) defined *IT outsourcing* as the ‘’significant contribution by external providers in the physical and/or human resources associated with the entire or specific components of the IT infrastructure in the user organization’’ (p. 9).

The latest kind of outsourcing is *business process outsourcing - BPO*, in which the service provider takes responsibility for a whole business process. This type of outsourcing helped popularize the concept of outsourcing beyond the industrial boundaries.

Table 1 Drivers of outsourcing

Economic factors	*Objectives or anticipated outcomes*
Cost reduction	- To improve profitability - To improve operating efficiency - To add value to the product
Cost saving	- To improve cash flow - To increase efficiency
Capital investment reduction	- To make capital funds more efficiently - To improve return on assets
Strategic factors	*Objectives or anticipated outcomes*
Acceleration of business process reengineering	- To improve performance - To achieve competitive advantage
Focus on core competence	- To improve business focus - To increase competitive advantage - To leverage the firm’s skills and resources - To enhance customer satisfaction
Flexibility enhancement	- To reduce the constraints of organization’s own production capacity - To convert fixed costs to variable costs - To increase responsiveness to market change - To reduce risks
Environmental factors	*Objectives or anticipated outcomes*
IT development	- To meet increasing demand for new information systems and resources more efficiently and economically

Globalization	- To help companies gain global competitive advantage
Capability of supplier	- To enable partners to improve service quality and customer service and increase competitive advantage

Source: Lau, C., & Zhang, J. (2006) Drivers and obstacles of outsourcing practices in China, International Journal of Physical Distribution and Logistic Management, Vol. 36, No. 10, 777

Business process outsourcing

A business process is a complete, dynamically coordinated set of activities or logically related tasks that must be performed to deliver value to internal or external customers or to achieve other strategic goals (Trkman, 2010). In simple terms, business process outsourcing (BPO) is defined as the movement of a business process from inside the organization to external service providers. BPO is the delegation of a (usually, non-core) business process to an external service provider who owns, administers and manages it. Specifically, BPO involves contracting with one or more BPO service providers for the provision of the execution of business process (Saxena & Bharadwaj, 2009, p. 688). Business process outsourcing (BPO) occurs when an organization *turns over* the realization of a particular process (such as design products/services, production, managing human resources, information, financial and physical resources) to a third party that specializes in that process. Using outsourcing, a firm (BPO client) has a benefit from the selected BPO provision which can complete the process more efficiently. BPO client has a possibility to concentrate on its core competency and free limited organizational resources (Brown & Wilson, 2005, p. 20).

Business process management approach means that a focus is placed on the business process, instead of emphasizing an organization’s functional and hierarchical structures (Kohlbacher & Reijers, 2013). Business process represents an object which is to be managed. There have been a number of classifications of business processes. Following Harmon (2003), the crucial business processes are the following: core processes, enabling processes, and management processes. Keen (1997) suggests that relevant processes are those that create value, processes that provide options, and processes that sustain the value.

All of these classifications have been either from the client perspective or from the service provider perspective. For instance, from *the client’s perspective*, processes have been classified as critical, key, and support (Click & Duening, 2005). Honess (2003) points out that ‘’business processes within a company have been classified in three categories: 1) core, 2) business critical non-core, and finally, 3) non-core, non-critical.’’ Core processes are seldom outsourced, because they are the very essence of the business and the area that requires the most investment. Therefore, critical and non-critical non-core business processes are suited for outsourcing to a service provider.

Similarly, it is possible to observe processes classifications from *the service provider’s perspective.* This classification divides BPO projects on the basis of the type of product/service. It includes (Mehta et al., 2006, p. 326): 1) front-office processing, 2) middle-office processing, and 3) back-office processing. *Front-office BPO* includes customer service and technical support services. *Middle-office processing* includes services such as banking, insurance, transportation, and utilities. *Back-office BPO* supports processes as human resources, technical support, customer service, finance or accounting. Back-office processes are only a couple of the processes that small and large organizations have been able to outsource to others who specialize in those areas. Removing mentioned processes from their internal operations enables companies to reduce payroll and other overhead costs (Saxena & Bharadwaj, 2009, p. 693).

Business executives and owners commend process outsourcing as a means of eliminating business processes that are not segment of the core competence of their companies. Organizations are focusing on a few business processes in which they are good (efficient) enough. The organization is focused on business processes in which it has not core competencies to perform efficiently. BPO has several advantages (Alexander & Young, 1996; Halvey & Melby, 2005; Brown &, Wilson, 2005; Click & Duening, 2005, Krstić, 2012: 1) reduction costs, at the same quality to employ a supplier more specialized; 2) restructuring costs, changing fixed costs by variable costs in terms of services provided; 3) improvement of quality, for higher specialization; 4) access to outside expert knowledge; 5) stimulates the local employment through contracts with local firms; 6) standardization and access to scale economies, 7) flushes resources for other purposes; 8) share the risk by flexibility of demand with the supplier company; 9) improving management of difficult functions to handle and 10) starting point for changes in the organization.

Competencies of BPO client and provider

BPO project analysis and implementation are based on the fact that BPO is a social-technical phenomenon. That is, a well executed outsourcing project must involve both social and technical resources of the organization. BPO is transformational for the organization and requires attention to the social and human impacts that accompany business transformation. At the same time, one of the primary enablers of BPO is the set of technologies that have emerged to connect the world in a global communications network. As a social-technical phenomenon, effective BPO management requires a diverse skill set that is not likely to be present in any single individual.

Shi (2007) points out that a *BPO service provider's competency* in managing business process, competence in technology and other competencies is very important for BPO project success or failure. Accordingly, management competencies form another important variable which determines the success or failure of the BPO project (or the BPO result). Despite the fact that the *BPO service providers* still concentrate on the level of their products or services, the *BPO clients* are getting more interested in service providers' competencies, for example, the "accessibility" of the service provider, the efficient delivery of the service provider's solution and expertise in the client's business (Shi, 2007, p. 28).

a. In a BPO initiative, two competencies are the most important for the *BPO client* – business process management competency and outsourcing management competency.

Business process management competencies are at the heart of the BPO project, however it is additionally of real concern toward the client organization. For *the client organization,* business process management competencies includes: process knowledge, determine the framework of business processes performance in the enterprise, and process performance evaluation (Saxena & Bharadwaj, 2009, p. 695).

Process knowledge. The business process can be viewed as a complex entity that has a certain structure, so it can be differentiated to: a) elements of the process, b) activities within a process, and c) tasks or operations within an activity. Each process can be determined by the following: a) boundary points of the process, b) the transformation of inputs into outputs within the process, c) the feedback, and d) the repetitive nature of the process (Krstić & Kahrović, 2012, p. 4).

Framework of business process performances. The conceptual *framework of business process* requires the identification of different dimensions of business process performance, such as (Krstić & Sekulić, 2013, p. 420): 1) inputs and outputs of the processes and activities within the process, 2) process quality performances (reliability, safety, durability, statistical stability) 3) process quantity performances (volume, scope of activities, scope of services, value flows), 4) temporal performances (speed of execution of activities, delivery time, the duration of execution of operations), 5) value performances (costs of activities, output price, etc.), 6) adaptability (flexibility) performances of a process and its activities, 7) effectiveness of a process, 8) efficiency of a processes, as well as efficiency of activities conducted within that process.

Process performance evaluation. The last and most critical competency for the client is the capability to evaluate a process operating at the desired level of performance to deliver the business benefits it was intended to give. In the event that that does not happen, it is very unlikely that the client will get the intended business benefits when the process is outsourced and operating at a much higher performance level (Power et al., 2006). In short, the candidate process for outsourcing must be formally managed to yield its intended business impacts, before it is outsourced for providing enhanced business benefits. On the other side, for the service provider, the process management competencies assume much more critical role as they form the very basis of service provision.

b. For *the service provider,* the most critical BPM competencies are process transition and process performance management.

Process transition or movements refers to moving the insourced version of the candidate process from the client site to the service provider site in an commonly agreed upon outsourced form. This apparently simple process movement is indeed very complicated, and even some of the very experienced service providers regularly appears to commit errors in it, at least initially. Its complexity comes out of the following implicit activities: acquiring the process knowledge, if the candidate process is unmanaged at the client organization; enhancing the candidate process so as to bring its performance at the settled upon level; and to implement this improved version of the process at the service provider's site in an error-proof manner so that it can pass the demonstration test.

Process performance management like a competence refers to the capability of improving the operations of the outsourced process to the agreed upon level or even better. The performance measures which need to be managed fall in three categories (Saxena & Bharadwaj, 2009, p. 697): process cost performance, process output performance and process outcome performance.

BPO relationship management

BPO *relationship management* is challenge to both the outsourcing client and the service provider. Unlike the conventional buyer-supplier relationship, the BPO relationship must be orderly arranged from the beginning of the BPO project with a strategic intent. Very often, BPO initiative concentrates on the contractual structure used to formalize the BPO arrangement. The contractual structure may not adequately adjust incentives over the organizations, nor effectively coordinate their activities. BPO relationship management includes four crucial characteristics: depth and scope of relationship, choice of assets to use and adopted business culture (Saxena & Bharadwaj, 2009, p. 698).

Gottschalk & Solli-Saether (2006) differentiated the four maturity levels of BPO relationships: a) supplier relationship; b) extended supplier relationship; c) partner relationship; and d) strategic partner relationship.

Supplier relationship is generally described by the service provider having a cost-plus strategy. *Extended supplier relationship* is portrayed by delivering services in full, on-time and to the specifications. It includes meeting and servicing process outsourcing requirements through cost reduction and value adding initiatives, such as service enhancements, maximizing responsiveness, etc. *Partner relationship* is described by high client's dependence on the quality, consistency, reliability and dependability of external skills and services to ensure that client meets their own business requirements. *Strategic partner relationship*, which is the highest level of relationship maturity, is portrayed by all the ''win-win'' collaborating relationship, as well as shared visions, strategies and information sharing among the client and the service provider.

Implementation of BPO initiative

The decision to implement a BPO initiative for any firm has far-reaching risks and consequences. At the same time, these implications of the decision-making process should not lead to paralysis - there are too many possible benefits to fall into the trap of doing nothing. It is important for decision makers to recognize that undertaking a BPO initiative is a strategic action.

The most effective way to realize a BPO initiative is to use a systematic approach that minimizes risks. It is possible to develop and recommend a four phases for analyzing and selecting the BPO initiative. These phases have been designed to integrate and align the decision-making process with long-term organizational strategic objectives and near-term organizational needs. Each phase is design to help organizations link BPO decision making to overall organizational strategy. BPO project has the following phases or steps:

- Establish a business process outsourcing team;
- Conduct a analysis ot business process performances;
- Determine possibilities for BPO;
- Develop and present the plan of BPO.

Although these steps seem transparent, many organizations overlook opportunities or misunderstand the true value and risks of skipping steps in the analysis. An organization can be in confusion, if it uses nonsystematic approach.

Establish a business process outsourcing team. As discussed earlier, multidisciplinary nature of BPO project requires a set of various process management competencies in order effective managing with it. Besides that, BPO imply forming a multidisciplinary team to adequately assess the outsourcing opportunity. Basic characteristic of outsourcing team highlights the need for interdisciplinary skills to manage a BPO project effectively.

Business process outsourcing team should be supervised by the top management and the chief process officer (or, so called proces owner). The chief process officer oversees process management so that it increase performance and ensures value creation by executing the business process strategy across organizational boundaries, such as department or functions (Rosing et al., 241-242). This team should consists of not more than ten individuals who represent a range of existing business process in an organization (Click & Duening, 2005, p. 51). It is also good to include people who have demonstrated an ability to adjust and change through previous BPO project. Preparation and training of the team are imperative for success. Team members must be knowledgeable about the organization's overall strategic intent, as well as potential advantages and disadvantages of BPO.

Business process (performance) analysis is a critical component of any BPO initiative. It refers to the exercise of examining, mapping, and categorizing internal business processes. Namely, this exercise involves mapping of business processes. The goal is understanding of how work flows within the organization or how an organization operate. This is often a difficult task, requiring hard thinking and involving individuals who are not the members of the BPO team. Good realised business process analysis can unveil hidden bottlenecks and expose inefficient procedures that have become entrenched within the organization.

Business processes mapping refers to the step-by-step description of the tasks and actions taken by workers as they use a specific set of inputs to produce a defined set of outputs. The main purpose of business process mapping is to help organizations in becoming more efficient. A clear and detailed business process map or diagram allows improvements of the current process. Many diagrams and tools are used for purposes of detecting the BPO opportunity. The objective of process mapping is to define clearly the activities within a process which is mapped, and to identify responsible persons for partial activities within an process. Identifying responsible people is a critical element of mapping, because these individuals or groups can dramatically influence the effectiveness of the overall BPO project.

The result of the mapping process is the identification and classification of business process in three group: critical, key and support. Critical business processes are those that are very important to a company's core business. Critical processes are those that must be performed nearly flawlessly and they are potential candidates to become a future core competence, if competitive conditions in the next period would be changed. For example, a firm that excels in logistics function may one day become a logistics firm.

Key processes are those that are important to the organization core business. A key function is one that people within the organization can readily identify and usually also know who is responsible for it. Support processes are necessary for the organization to function effectively. When business processes are identified and classified, the business process outsourcing team begins to develop a feel for which processes may be candidate for outsourcing.

Determine BPO possibilities. Selecting the business process to outsource must take multiple factors into consideration (Yang et al., 2006, p. 3770): expectation (cost savings, focus on core competence, flexibility), risk (information security, loss of management control, labor union, moral problem), and environment (provider's service quality, market maturity, other's firm outsourcing decisions). The reasons for organization's outsourcing include the following: cost savings, a focus on core competence, and adaptability in management. In any case, management needs to carefully consider the related shortcomings alongside the expected benefits. The generally perceived disadvantages include information security and loss of management control. Furthermore, labor unions and problems in morale could also become risk factors in the case of BPO.

Very important task in this step is a systematic approach to identifying and selecting the right outsourcing partner – service provider. This task contains eight steps (Click & Duening, 2005, p. 94): 1) appointment a service providers team, 2) establish qualifications, 3) develop a long list, 4) distribute the request for information, 5) distribute the request for proposals, 6) evaluate proposals, 7) select a short list, and 8) select a service provider.

Develop and present the plan of BPO. The final step in the BPO opportunity analysis is to develop a business plan for decision makers that will include direct recommendations on which, if any, business processes within the organization are suitable for outsourcing. A business plan is a written document that presents the methodology and finding business process outsourcing team. The methodology of the setting up the BPO plan should include a review of the process, as well as: a) The people who were consulted during the analysis phase; b) The list of used documents, books and other in research; c) An overview of analytic tools which are applied in order to BPO opportunity identification and selection of the best opportunity; d) Copies of documents which are used in gathering the original data.

The business plan should also include the business model for each process recommended for outsourcing. The model will highlight in summary the costs, timing, and deliverables associated with each process. Detailed transition models should be kept on reserve for those decision makers who wish to have more information. Finally, the business plan should make explicit the goals of outsourcing for each process. The goal may be to reduce operating costs, but it may also include the opportunity to develop world-class capability in a critical process, to reduce cycle times, or simply to free up business resources for other applications. Whatever the reason, the business plan should clearly state the likely improvements that may be attained through a BPO service provider.

Conclusion

This paper proposes business process outsourcing as a strategic option for companies for the realization of a competitive strategy based on organizational capabilities and proposes a conceptual model for business process outsourcing. Outsourcing enables organizations to consistently perform the outsourced business process more effectively than any of their competitors. Suggested model has explained in four steps: planning the outsourcing of business process, establish a business process outsourcing team, discover potential possibilities of business process outsourcing and develop and present the business plan. This model of business process outsourcing can be used by both the BPO clients and service providers for successfully achieving the intended business outcomes as well as for enhancing their competitiveness. It is hoped that the model proposed in the paper will be increasingly adopted in forthcoming BPO projects and will be found helpful in making these projects successful.

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COMPETITIVENESS AND TOURISM DEVELOPMENT - IN SEARCH OF POSITIVE IMAGE-REPRESENTATIONS OF BULGARIA AS A DESTINATION

Abstract

Choosing the holiday destination and formatting a preference for it is based on a recognizable image, a good reputation, awareness of the main competitive advantages of a destination, and hence - the importance of this image and reputation for the competitiveness of tourist destinations. The image is an important, significant part of the tourist destination, on how to present to an international audience, but also what influences consumer's preferences. Considering this, the study examines the concept of forming an image of Bulgaria as a holiday destination, in its social and psychological perspectives. And has the following objectives: (1) to propose the formation of a positive image of Bulgaria as a tourist destination, and (2) to put the focus on Thracians culture heritage. Built on the findings that regrettably, the positive initial image of Bulgaria as a tourist destination, differs from the actual experience of tourism services for consumers.

Keywords*: tourism, destination, image, competitiveness, historical and cultural heritage*

JEL classification: L8, L10, L110

КОНКУРЕНТНОСТ И РАЗВОЈ ТУРИЗМА – У ПОТРАЗИ ЗА ТВРДЊОМ О ПОЗИТИВНИМ ИМЏУ БУГАРСКЕ КАО ДЕСТИНАЦИЈЕ

Апстракт

Избор дестинације за годишњи одмор и уочавање предности заснивају се на препознатљивом имиџу, доброј репутацији, свести о главним конкурентским предностима дестинације, тиме значај ове слике и репутације која се односи на конкурентне туристичке дестинације је велики. Слика је важан

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и значајан део туристичке дестинације, о томе како је представити међународној публици, али и оно што утиче на преференције потрошача. С обзиром на то, у раду се испитује концепт формирања слика Бугарске као дестинације за одмор, у њеним социјалним и психолошким перспективама. И има следеће циљеве: (1) да предложи формирање позитивног имиџа Бугарске као туристичке дестинације, и (2) да стави фокус на Трачанско културно наслеђе. Рад је урађен према резултатима који нажалост, разликују почетну позитивну слику Бугарске као туристичке дестинације, од стварног искуства туристичких услуга које се пружају потрошачима.

Кључне речи: *туризам, дестинација, слика, конкурентност, историјско и културно наслеђе*

Introduction

Tourism, as claimed by Pearce and Stringer (1991), is essentially a socio-psychological phenomenon. For example, the interaction between tourists and residents of tourist destinations can be viewed as the interaction between two groups of people who share similar values and cultures in their own groups (Pearce, 2005). On the other hand, in the literature of social psychology quite amply is documented that the group members are often exposed to similar models of social information that could lead to collective perceptions of that group (people who we see as "different" from us) or those from foreign countries (Alexander, Brewer and Herman 1999, p. 78-93; Rubin and Hyustoun, 2004; Stangot and Lange, 1993, p. 361). Therefore, the formation of the image of a tourist destination can also be a social psychological process influenced by social factors, such as national or racial/ethnic backgrounds of potential tourists (McKay and Fesenmayer, 2000; Prentic, 2006; Tashi and Gartner, 2007).

This study examines the concept of forming an image of a holiday destination Bulgaria, and the social and psychological perspective. Although the image of the destination of tourists is one of the important issues in the tourism literature (Tashi and Gartner, 2007), many researchers consider it as subjective and secondary meaning, without taking into account the importance of socio-cultural factors in the process of its formation (Tashi, 2009).

Therefore, it is important to consider tourist destination image formation of social and psychological point of view, since social perceptions may be biased against reality (Alexander, Brewer and Herman, 1999). For example, when the difference between the culture of the local population and that of visiting tourist isn't huge, the image of the destination can be positively influenced (Prentice, 1998). Furthermore, the formation of destination image can be negatively affected if the tourists have a negative perception of the host community and destination (Chen, Lin, and Petric, 2012; Nadeu and al, 2008). We should mention here that it is necessary for science and business to address social preconceptions about tourist destination perceptions. In fact, tourist destination trend marketers aim deliberately to create positive preconceived notions about their destinations by investing in special campaigns (Tasci, Gartner, and Cavusgil 2007). However, creating a positive image of a tourist destination, which is in turn the capital and labour intensive (Fakeye and Crompton, 1991), particularly when pre-existing negative images of destination are widely perceived as real in the generating tourist region (Chen, Lin and Petrick, 2012; Tasci, Gartner, and Cavusgil 2007). Given that negative destination preconceptions can erect insurmountable barriers to its marketing, this study attempts to explore how biased perceptions are socially constructed in the context of international tourism.

In particular, marketing researchers have long been interested in the effect of country stereotype, which suggests that the evaluations of customers for products manufactured in one country (the image of the product/service) may be influenced by their overall assessment of this country - image of the state (Knight and Kalatone 2000, LaRoche et al., 2005). The effect of country stereotype has also been a research subject in tourism study by researchers in tourism and the results are validated and described tourism literature (Elliott, Papadopoulos, and Kim 2011; Nadeau et al 2008). Therefore, the negative image of a country can lead to negativity impact on perceptions of it as a destination. However, considering the country's image as a precursor to the image of it as a tourism destination, as the model explains only the image, but doesn't explain when and why negative preconceptions were formed.

Social identity theory (Tajfel and Turner, 1979) may shed light on the formation of biased perceptions of the destination in the context of international tourism. According to the theory, the context of the group (or within nations) conflicts can cause people to think or act on the basis of group identities, such as ethnic identity or national identity (Turner et al., 1994). The presence of group identities, as predicted by the theory of social identity will lead to collective preconceived awareness of all group members or in our case representatives of foreign countries – international tourists (Alexander, Levin, and Henry, 2005; Herrmann et al., 1997; Rubin and Hewstone, 2004). Based on social identity theory, it is assumed that national identities in the country guests are source of the perceived image of the host country destination.

Therefore, this study has the following objectives: (1) to propose the formation of a positive image of tourist destination Bulgaria, and (2) to put the focus on Thracian culture heritage.

As the results of previous studies indicate, tourist destination's image can be influenced by previous tourists stays (Baloglu 2001; Fakeye and Crompton 1991; Hu and Ritchie 1993), for this purpose, we are quoting search below, based on the Bulgarian and foreign tourist experience in tourist destinations such as Bulgaria. Furthermore, with this study, we attempt (3) to clarify the effects of interactions between host's national identity and visitors' experience of the destination.

Theoretical background

The image is a term derived from the Latin “imago” and is associated with other Latin word –“imitari”, “imitate”, “emulate”. This translation specifies the genesis of the term “image” - it is the result of diverse, taken from different sources, most often mediated information about real-world objects and phenomena. The image creates a second reality, but strongly affects the process of decision making from the tourist/consumer (Krstić, Krstić, and Ivanović, 2013).

Due to the fact that economics examines the tourism sector, including products/services as intangible products, the only way tourists are ‘shopping’ for a holiday experience that is available through the image of tourist destinations (Um and Crompton, 1990). Therefore, for some time, tourism researchers explored approaches conceptualizing the image of the destination (Tashi, Gartner and Kavusgil, 2007) and methods for its measurement (Govars, Go, and Kumar, 2007). In addition, more recent studies examine the original image, with the intention to clarify the method by which the positive image of tourist destinations is built (Baloglu and Mac Kleariy 1999; Beerli and Martin 2004; Pearce 2006). However, the prevailing view that scientists in the field are willing to accept is that the formation of an image is an individual process, studies that have been made, identify the several personal factors such as motivation to travel (Baloglu and Mac Cleary 1999; Beerliand Martin 2004; Hsu, Cai, and Li 2010), knowledge of the destination (Baloglu 2001; Baloglu and Mac Cleary 1999; Lee, Scott and Kim 2008), and the previous visit (Beer and Martin 2004; Hyun and Purdue 2010).

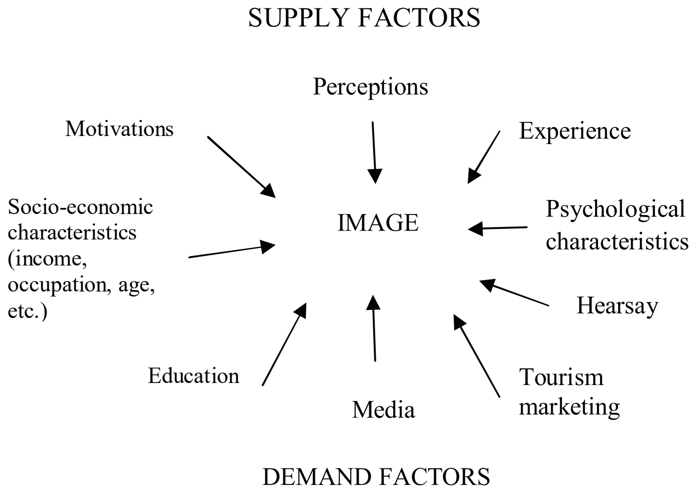
Marketing specialists are interested in the concept of the image of holiday destination, mainly because it relates to making a decision on the purchase of a tourism product and the sale of related travel products and services. According to Mac Innis and Price (1987), images penetrate the whole consumption and experience.

Before purchasing an actual tourist vacation, its image can easily replace the actual consumption. During consumption, the image can add value to the experience and increase tourists’ satisfaction. After consumption, the image may have reconstructive role in which the tourists can relive their experiences through holiday memories and souvenirs. The perception of various images which visitors and non-visitors have of destination is priceless, as it enables the typical attributes such as primary and revalued image to be included in marketing tourism planning (Selby and Morgan, 1996, p. 288). Marketers can use the stored images to increase satisfaction and to promote the repurchase of the tourism destination.

The concept of the destination image is formed on a reasoned emotional interpretation by the user to the submitted destination. This is caused by two closely related components - perceptual (sensory) / cognitive and emotional evaluation score to the user. Perceptual/ cognitive evaluations refer to the beliefs of the tourist and his/her knowledge of the subject (rating of perceived attributes of a tourist destination before being visited); emotional evaluations are associated with feelings of the individual to the tourist destination, based on its primary image that he/she has.

Formation of the image of a tourist destination. The image of a tourist destination is perceived uniquely by each person and the total image may include memories, associations and imagine that this is a tourist destination (Jenkins and MacArthur, 1996; Vitić-Cetković, Krstić, and Jovanović, 2015). Stablar (1988) divides the factors influencing destination image formation by factors of supply and demand. Demand drivers, generally corresponded to the formation of the organic image of Gunn, 1972 (representation below) and supply factors corresponded to induce the formation of the image. Figure 1 summarizes these factors of supply and demand.

Figure 1: Tourist Destination Image



Source: Jenkins, 1999.

Various researchers have investigated the factors that encourage the formation of the image of the tourist destination. For example, Nolan (1976) investigated the sources of travel information used by domestic tourists in the United States. He discovered that the source of the information used for a vocational trip often came from an advice of a friend or relative, next from tourist guides and then from advertising publications. In terms of reliability of travel information sources, tourist rated information from the guides were rated with the highest rateability, while public administration services and advice of friends and relatives were rated as the most reliable and thorough. Moreover, Nolan measured the objectivity of the sources of travel information, asking respondents to assess whether sources are biased/unbiased. What the results demonstrated is that the overall bias information was noted by respondents particularly in tourist brochures. Despite recent studies (Phelps, 1986; Stabler, 1988; Chon, 1991, 1992; Echtner and Ritchie, 1991; Botterill and Crompton, 1996; Selby and Morgan, 1996), the process of tourist destination image forming still needs a comprehensive theoretical framework.

Chon (1992) examined the effects of divergence on the one hand, between the actual and the expected image of a tourist destination and between the image and the actual tourist destination experience and the associated tourist behaviours. Furthermore, she found that a positive image and positive vocational experience can lead to moderately positive assessment of a destination, on the other hand a negative image and positive experiences can lead to greater positive evaluation of a destination. The most negative assessment would come from a positive image and negative experiences of the visited destination. In addition, measurement of the tourist travel experience has not been extensively studied (Botterill and Crompton, 1996, p. 57), thus tourism expectations and opinions are increasingly seen as important because they reflect primarily cognitive tourists, their satisfaction and their emotional reactions to a specific destination (Ross, 1993).

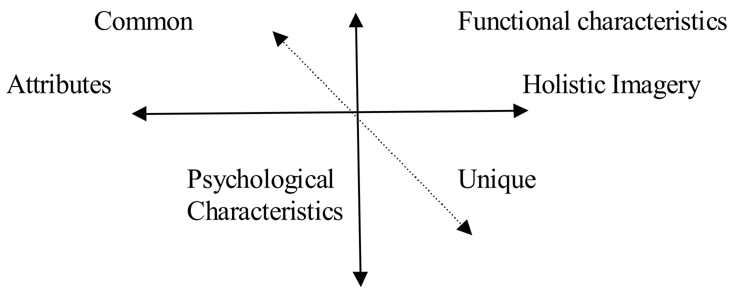
Components of the tourist destination image. - From the cognitive point of view, the image of tourist destinations is based on a set of attributes/recourses which match tourists products and services available for tourists: climate; nature; culture; history; entertainment – feasible features that the destination offers tourists; events in which they participate; opportunity to become part of the culture of the place. These are called functional components.

Several studies have tried to include less tangible components of a destination image, but it is difficult to characterize psychological dimension attributes such as the atmosphere or the romance of the situation *(Echtner and Ritchie, 1991)*. *Ross (1994)* commented that the only psychological variable measured, is the “friendly” attitude of the locals.

One of the major challenges that destination image studies are facing is that they are holistic and thus when researchers attempting to evaluate their representation do not comply with the constituent elements or attributes individually. Some components of the tourist destination image, however, as the atmosphere of a tourist destination due to its genesis, cannot be disassembled on constituent parts. *Echtner and Ritchie (1991)* bridged this challenge by offering a model that includes an attribute - holistic as one of the three dimensions. Therefore, those parts of the image of the destination, which can be defragmented to attributes and described, more or less as a holistic experience. One end of the dimension is functional and psychological qualities and on the other are functional and psychological comprehensive images related to the overall impression, the atmosphere or mood.

Figure 2 represents this model in three dimensions: attribute/holistic, functional/ psychological and common/unique. Common/unique dimension to the image presented by Ehtner and Ritchie (1991) (see *Figure 2)* is also often overlooked. This is surprising since largely tourism should be identified with the visit of the unique location, if not, at least, different to the daily life surroundings. Common functional attributes include traits by which most places cannot be compared (e.g. price, climate, type of accommodation). Unique functional attributes consist of “logos” and special events that are part of the image of the destination, such as Stonehenge or the music festival Glastonbury. Common psychological or abstract attributes consist of the friendliness of the locals, popularity or beauty of the landscape, while the unique attributes include psychological feelings associated with sites in religious worship or locations related to a historical event.

Figure 2: Components of the Tourist Destination Image

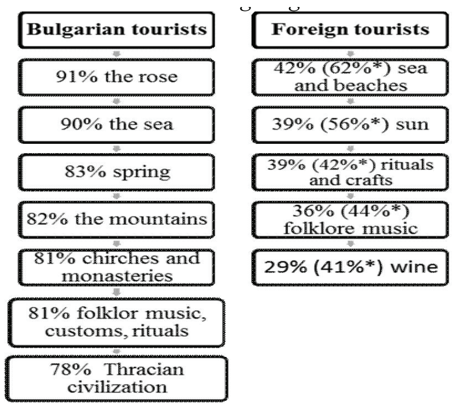


Source: Echtner and Ritchie, 1991.

An official research, by the Bulgaria's Ministry of Economy and Energy (MEE), on the appropriate symbols and visual elements which have been detailed in order to create tourism brand Bulgaria, studied the opinion of 200 Bulgarian and 400 foreign tourists from 10 generating markets - UK, Germany, Greece, Ukraine, Russia, Serbia, Romania, Turkey, Sweden and the Czech Republic.

Bulgarian and foreign tourists who visited Bulgaria in the period 2009 – 2010 (*Project: "Development of a brand "Bulgaria", product and regional brands and the introduction of integrated brand management*") were asked to answer a set of questions, including the following related to theresearchproblem: "What symbols and visual elements you associate with Bulgaria?", "What is Bulgaria's image among consumers?", "What disadvantages Bulgaria has as a tourist destination?". The obtained results are graphically presented in *Figures 3, 4, 5* and *6*.

Figure 3: Symbols and Eements Visualizing Bulgaria as a Destination for Tourists

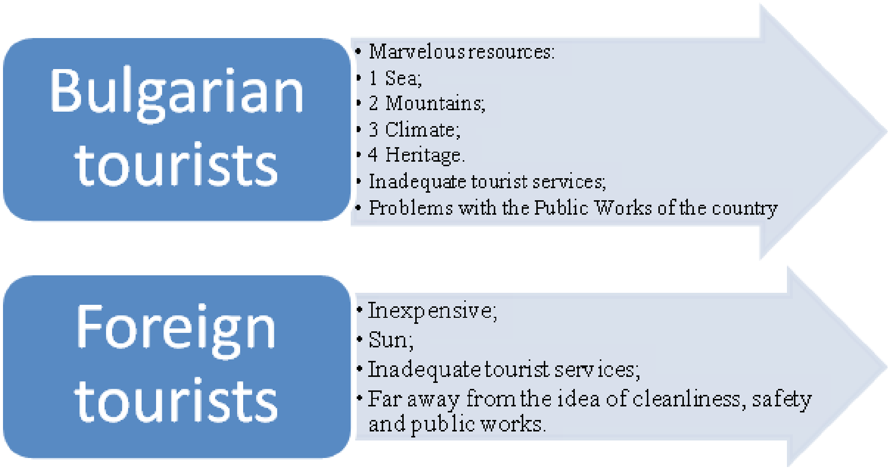


* Tourists visited Bulgaria in the last two years

Source: Ministry of Economics, Energy and Tourism, 2012

According to the Ministry, the total of 1 063 852 foreign tourists (except transit visitors) visited Bulgaria in the period December 2012-March 2013, which is increase of 8.2 % compared to Winter 2011-2012. 636 026 foreign tourists visited Bulgaria for leisure and recreation which is an increase of 10.4% for the period December 2012-March 2013 compared to the same period 2011-2012. 43 602 arrivals of tourists visiting relatives and friends in Bulgaria which is an increase of 12.5% for the period December 2012-March 2013 compared to 2011-2012. Revenues from international tourism for December 2012-March 2013 totalled 416.54 million euro, 4.9%, up compared to 2011-2012 numbers for the same period. The graphic below represents Bulgaria's Image among Consumer, according to the research done by the Ministry.

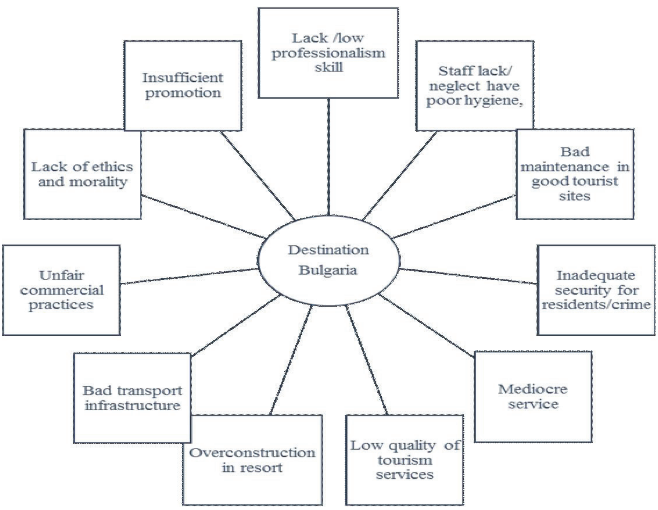
Figure 4: Bulgaria's Image among Consumer



Source: Ministry of Economics, Energy and Tourism, 2012

The image of Bulgaria has some negative factors such as that to a certain extent the country is still viewed as a "Soviet country" (with low quality services and old establishments) and visa regime. Overall, however, Bulgaria (as a tourist destination) has a mainly positive image among consumers but also among travel agents and Journalists whom write about tourism. The most common criticism made by the tourists, according to the same research data, obtained by the Ministry, is evident below.

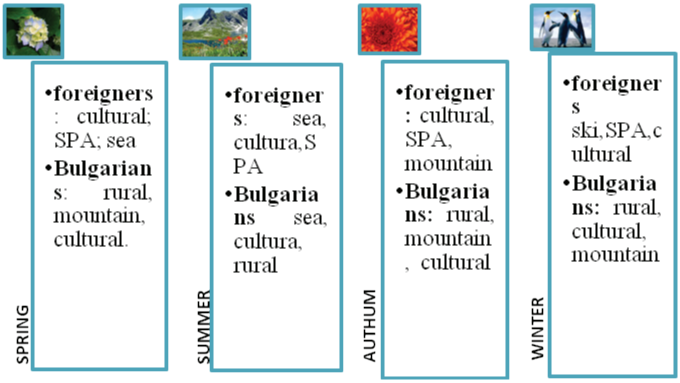
Figure 5: Disadvantages of Bulgaria as a tourist destination



Source: Ministry of Economics, Energy and Tourism, 2012.

We cannot disagree with Mintel Report from 2007, whom accurately observes that our rich history and the diverse landscape give vast potential for tourism in Bulgaria. Bulgaria has enjoyed a substantial growth in income from international tourism over the past decade, but despite its diversity, the mainstream beach/resort tourism and snow sports remain the major draw. There are also opportunities to develop cultural, historical, spa and ecotourism in the country. Despite the great variety of tourism assets such as mineral springs, beautiful scenery and archaeological sites, the tourism sphere remains underdeveloped. The country has yet to make the optimum of latter tourism assets, which could lead to much-needed diversification of the industry and a wider spread of tourism receipts throughout the country.

Figure 6: Top 3 Types of Tourism Practiced During the Different Seasons



Source: "Surveys on foreign visitors to Bulgaria and of Bulgarians who travelled the country"; Ministry of Economics, Energy and Tourism, 2012

Foreign tourists have been more active, 45-66% have combined two or more types of tourism and thus have got the most out of each holiday. Bulgarian tourists appear more passive - only between 18-25% had combined two or more types of tourism, which leads us to believe that the Bulgarians have realized the need for diversity.

Table 1: Tourist's satisfaction

Satisfaction factors	Dissatisfaction factors
Bulgarians: • nature and natural resources • clean air • peace and quiet • service quality	Foreigners: • infrastructure and routes condition • high prices • filth • poor sport conditions – during the winter

Bulgarians:	Foreigners:
• nature, including beaches • contacts with local communities • accommodation • local cuisine • historical and cultural heritage and sites • ski slopes – during the winter	• infrastructure and routes conditions • handicapped accessibility • travel facilitation • pollution

Source: "Surveys on foreign visitors to Bulgaria and of Bulgarians who travelled the country"; Ministry of Economics, Energy and Tourism, 2012

Even though tourists have remarks, they remain satisfied with their vocational stay in destination Bulgaria. Nature, clean air and good local cuisine managed to melt dissatisfaction, pollution and ill managed infrastructure. And yet - it turns out that the guests in resorts remain dissatisfied with their summer vacation – for the foreign tourist it was cheap, and for Bulgarians - expensive. Therefore, the foreign guests spend between 70 and 88 Euros per day, while the Bulgarians could afford much moderated budgets. Besides, Bulgarians felt as tourists even in their own native villages, while foreigners preferred SPA hotels and cultural tourism.

All and all, whole regions of the tourist destination remained almost unvisited and none the less the previously mentioned regions do have a potential. The number of the tourist visited the Danube region; the Old Bulgarian capitals and the Valley of the Thracian Kings were relatively small considering the high occupancy levels for the seaside and the mountains, respectively during the summer and winter.

Focusing the Image on the Thracian Heritage

In June 2007, in its section "Science", NBC published an article titled "Golden Mask, found in the tomb of a Thracian king - 2,400 years ago civilization flourished in Bulgaria", referring to the discovery of the team of Dr. Kitov near the village of Topochane. The centrepiece of the article considers the golden mask found near the town of Kazanlak in 2004 and for the first time the analogue which Kitov made between the Valley of the Thracian Kings and the Valley of the Egyptian pharaohs appeared.

In January 2010, in an article entitled "The oldest cities in the world" The Telegraph surprised the entire scientific community in Bulgaria by ranking the city Plovdiv as the sixth oldest city in the world, second only to Athens in Europe. Plovdiv, Bulgaria is ranked in another prestigious ranking - cities, which since its establishment until today were continuously inhabited. This ranking included cities of great civilizations such as Luoyang, China; Damascus, Syria; Jericho, on the West Bank of the Jordan River; Athens, Greece; Varanasi, India; Byblos, Lebanon; Ray, Iran and Jerusalem, Israel.

An exhibition entitled "The Lost World of Old Europe, the Danube Valley 5000 - 3500 BC" was held in Ashomolean museum, Oxford from May 20 to August 15, 2010. This was an exhibition of the oldest gold and travelled in 2010 thousands of kilometres between New York, the UK and Greece. This travelling exhibition was organized by the

Institute of Ancient World Study at the University in New York in cooperation with the National History Museum of Romania with the participation of the Varna Archaeological Museum and the National Museum of Archaeology and History of Moldova. “1000 years older than the first cities of Mesopotamia, “Old Europe” was among the most advanced and sophisticated places in that time” wrote historians and journalists, advertising the exhibits. The culmination of the exhibition was the oldest gold in the world of the Varna necropolis. Never the less remarkable were the anthropomorphic figurines, great painted ceramics and the vast bronze objects.

In October 12, 2012 The New York Times magazine published Karen Leigh’s article, entitled “In Bulgaria, Roman greatness, east of Rome” where the city of Plovdiv was described by its millennial history as one of the oldest continuously inhabited cities in the world.

The Doors of the Kings - a stretch of the River Nile Valley containing the tombs of the pharaohs of the New Kingdom, Dynasties for 18 to 20 utilized from 2nd millennium BC. For the world this is the Valley of the Kings, at least for now. It testifies to the past that the present cannot interpret. This is the largest outdoor museum in the world.

The Kazanlak valley, located in the geographic centre of destination Bulgaria is peppered with ancient tombs – dating from the 1st century BC. To all Bulgarians this is the Valley of the Kings, but only for Bulgarians, well let say so far. From outside and high mounds overgrown embankments nondescript, but over the years, their appearance has not mislead the looters, and several Thracologists. Among them at the end of 20th and beginning of the 21st century Dr. Georgi Kitov stands out. The work of Dr. Kitov and his team began in the mid-1992.

Figure 7: Kazanlak Valley

Source: http://www.kazanlaktour.com/index.php?s=88

The Valley of the Thracian Rulers is a popular name made public by the archaeologist Georgi Kitov and describes the extremely high concentration and variety of monuments of the Thracian culture in the Kazanlak Valley. It is believed that there are over 1500 funeral mounds in the region, with only 300 being researched so far.

The Kazanlak Tomb was discovered in 1944. Between 1948 and 1954 the ancient town of Seuthopolis was studied. Between the 1960s and the 1980s people made researches of the mound necropolis which belonged to residents of Sevtopolis. Another two brick tomb was found there. The Maglizh and Kran tombs were discovered in 1965. The 1960s were also marked by the research of Thracian tombs from the Roman era in the regions of the villages of Tulovo and Dabovo, made by Prof. L. Getov. During the 1970s M. Domaradski, researched a habitation and its surrounding necropolis in the Atanastsa region, village of Tazha.

The period between 1992 and 2006, with short interruptions, marked the research made by Senior Research associate G. Kitov, and the expedition TEMR (Thracian Expedition for Mound Research) led by him. As a result of their activity over 200 mounds, which represent funeral practices of the Thracians during the Iron and Roman Eras in the Kazanlak Valley, were studied. Among all monuments one can distinguish over 15 tombs in a different stage of preservation, 3 masonry graves, a lot of rich funerals, etc.

Nevertheless, one of the first accidentally discovered tombs, added in 1979 to the List of World Cultural Heritage by UNESCO and to present day and centrepiece of the Valley of the Kings is the Tomb of Kazanlak. In 1942 a tomb dated to the 3rd century BC was discovered near Kazanlak in the romantic Valley of Roses, near the ancient city of Teutopolis. The Kazanlak Tomb is a peak in the development of Hellenistic art; it is a significant contribution to the art of the entire Hellenistic world.

Temple Mound “Griffins”

The whole tomb is built of perfectly processed and precision associated with iron clamps stone blocks. The tomb was robbed in antiquity. There are also two gold beads between the stones of the bed, whose decoration is a significant archaeological value, separate gold flakes and small pieces of silver and bronze. Based on them precise dating of the tomb can be made. The construction method and plan are similar to those of the tomb mound Goliama Arsenalka.

In adjacent to Griffins – is **Elenina mound** where a child grave was discovered. Archaeologists found several Greek court wooden amulets in the shape of a human body, clay cult objects and other artefacts. Among them suddenly opened a small wooden box with forty coins from IV century BC. Finding as many coins in one grave is unprecedented at this time.

In the Blue mound stone heap was discovered, revealing a burial pit, approximately 5 x 6 m. Inside were found fifty arrowheads, full set of horse trappings, gold ring and other minor items.

The unique horse trappings are the faces of the plates covered with animal images. They are strangers from previous excavations in Thrace and are similar and those found in Southern Russia and Ukraine in the land of the Scythians. Of great value is the silver head forefront in which decoration key element is the head of a lion. The open gold ring is also unknown from previous studies. The plate depicts a cluster, turtle and gryphon.

Shushmanets Temple

The temple in the Shushmanets mound was discovered on 28 August 1996. The temple consists of a corridor, a façade, an antechamber and a circular chamber. It was built in a previously mound earth-deposits. The corridor's walls were built from river and crushed stones, with a total of two construction stages. The façade is formed by perfectly processed granite blocks aligned in 10 rows. Once, there had been a pediment, the existence of which is proven by a semi-palmette-form antefix found during the archaeological excavations. In the façade itself, through an arch-like cutting of the blocks' internal sides, the antechamber's arch is formed. The antechamber has a rectangular form with a stone Ionic-styled column in its front centre part. Bones from six animals were found during the archaeological excavations on the premise's floor – four horses and two dogs which are believed to have been sacrificed during the funeral ceremony. Above the entrance to the central chamber, there is an embossed pediment with a palmette-shaped acrider and two antefixes in the ends. On the inside, there used to be two lacunars stone doors, decorated by indented stylized solar disks painted in red. The funeral chamber has a round shape and a vault-like cover. Its entire surface was covered with white rendering. In its centre, below the keystone, there is a fine Doric-style column. The walls are divided into three horizontal beams. The first one is divided into several fields of seven Dorian-style semi-columns. In the chamber's northern sector, there used to be a stone bed. Based only on the architectural features of the premise, and due to the lack of precise dating archaeological, material it is difficult to make the precise dating. The tomb dates back to the 4th century BC.

The second mound necropolis around Shoushmanetsis mound *Helvetia.* An ancient Thracian tomb built probably in the middle of IV century BC. Here for the first time was found reuse doors - the original was missing. Two wings of the second door that is closing the chamber were equipped with a device for closing from the inside. The east wing of the camera is painted in red and western gray-black.

The colours are deliberately chosen. Red is supposed to represent a sunrise, birth, new beginnings and the black - the sunset, the end, the death... On-site archaeologists discovered the skeleton of a horse on the altar, which blood drained on the ground through a furrow – the sacrificial animal went back where it came from - in the bowels of the mother earth, and that way Thracians were able to predict the future of their people and ruler. Such a scene was found for the first time in a Thracian tomb, which proves that the facility was used as a sanctuary.

Svetitsa Mound

A masonry grave was discovered in the mound on 19 August 2004, in which a funeral of a representative of the Thracian aristocracy had taken place from the second half of the 5th century BC. Some of the skeleton bones were found in the tomb in anatomical order, but others were missing, which makes researchers assume that the buried person had been a follower of Orpheus. The body had been laid with complete armaments – bimetal breast-plate, two swords, tips for spears and arrows. As burial gifts one had placed a silver cup, a bronze hydria, two, probably made in Athens, dishes with red figures, two clay amphorae. Undoubtedly, the most impressive item of the funeral equipment is the gold mask, which was laid on the face of the deceased person. It was made of a solid 673-g gold plate with individual features - thick hair, beard and moustache, the eyes half-closed. This is one of the earliest and richest tombs discovered in the Valley.

In the summer of 2007 unexpected discoveries were made which completely changed the concept of the Valley of the Kings.

In **Dalakovata mound** in the nearby village area, the team led by Kitov, discovered another golden mask belonging probably Thracian king Teres II. Along with the mask archaeologists found several vials of gold, two ribs rhytons and numerous potteries. Like the first mask found near Kazanlak in 2004, this was originally used as a phial, and then flattened ritual for Lord can put it on your face.

Ostrusha

One of the most iconic temples discovered in the Valley of the Kings. At the southern edge of the mound in 1993 fundamentally new type of Thracian burial facility was discovered. It was built ready mound in the middle of IV century B.C. and remained some time outdoors. Originally tomb consisted of a three-stage sarcophagus chamber on a pedestal of three lines well cut stone blocks, which finished on all sides by three steps with a total height of about 0.90 m Thracian temple was built on an area of 100 square meters, consisting of 6 rooms, with main camera composed of a stone block weighing over 40 tons, with bilateral sloping roof weighing 20 tons. There is no explanation of how the Thracians made cluster drawings of animals, people and plants on the walls. Unfortunately, in IX century, AD the temple was totally destroyed by the local population.

Golyama Kosmatka

The monument in Golyama Kosmatka mound was found in the autumn of 2004 during regular archaeological excavations. The mound is piled up as a sacred hill in the first half of the 5th century BC. Probably in the second half of the century a monumental temple was built, consisting of a representative facade and three rooms - a rectangular one with double-pitch coverage, a round one with a dome-shaped coverage and a sarcophagus-like chamber, made of a 60 t granite block.

At the beginning of the 3rd century BC in the central chamber there was a ritual burial of a Thracian aristocrat, and in the first chamber a horse sacrifice was made. Thus, the building transformed its function into a tomb.

At the facade a 13-meter corridor with stone walls and a wooden roof were built. Upon closing the facility the corridor was burnt down and filled with mound earth-deposits. Seven meters to the south of the entrance there is a head of a bronze statue - probably a portrait of a Thracian ruler. The inventory is exceptionally rich, presenting personal and grave goods made of gold, silver, bronze, alabaster, glass, clay, leather. Among the findings three subjects were of special interest – a bronze helmet, a silver jug and a silver cup, upon which one can read the name ΣΕΥΘΟΥ / the name of Seuthes/. This fact, the finding of three bronze coins with the image of Seuthes III at the beginning of the corridor and the extraordinary similarity of the bronze head with the images on the coins of this Thracian ruler are the reason why the discoverer G. Kitov Ph.D. makes the assumption that this is the tomb of the founder of the Thracian town Sevtopolis. Kitov argued that the head is work of Phidias, who worked in Athens during the second half of the 5th century BC. It is important evidence of the Thracian Orphic rites. This kind of discovery did not happen in the history of archaeology in Bulgaria over the last 100 years.

According to Prof. Thanos Sideris (director of “History and Archaeology” Foundation Hellenistic world), the tomb of Seuthes III is “outstanding”, we cannot expect from archaeologists often to find so many riches in artefacts graves. In Greece there is only one such grave, which is believed to be of Philip II. Outside the whole range of doubt that this is indeed the tomb of Seuthes and that is one of the few, rich artefacts graves found so far.” According to Dr. Sidereis and Bulgarian archaeologists, some of the artefacts may have been produced locally - made somewhere in Thrace, perhaps even in the royal court itself, by craftsmen who worked personally for the ruler. There is evidence, according Sideros that Seuthes III was in contact with many Greek cities, among which stand out his contacts with Athens. Sideris actually introduces his theory, which is been shunned in Bulgaria and is essential to world’s view of the Thracians. His hypothesis is based on his joint studies with Bulgarian archaeologists (Dr. Milena Tonkova, Research Associate at AIM – Bulgarian Academy of Science and tutor in NBU) Bulgarian archeological site - “HalkaBounar.”

Conclusion

Regrettably, as evidenced by the data of the above mentioned studies and research, and we as tourism services consumers of tourist destination such as Bulgaria have seen positive initial image differ from the actual experience.

In terms of demand and supply of tourism associated with Bulgaria’s cultural and historical heritage, there is no study related to their anthropogenic resource identification, evaluation, protection and authentic creation of a modern tourist product that firmly stands out with its unique image. Regrettably, the Bulgaria tourist destination is associated with a negative media image of cheap, alcohol tourist destination. Furthermore, the governing authority ought to undertake new market segmentation and selection of proper market target, as we do witness a probable market niche in the cultural heritage tourism segment. Afterwards, Bulgaria’s promotional campaigns need to involve the image of our rich Thracian cultural heritage. Lately has been observed a deteriorating territorial concentration and disparities in tourist location.

Overall, inadequate state of the common and specialized infrastructure, roads, drains, wastewater treatment plants, and common communications have been observed. Notwithstanding the possibility of year-round attendance at cultural tourism sites, there is seasonal demand and limited diversification of the tourism product, reduced average length of stay and lower average room revenue from tourists.

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ANALYSIS OF KEY INDICATORS OF ECONOMIC DIMENSIONS OF SPAS' SUSTAINABLE DEVELOPMENT IN SERBIA AS TOURISM DESTINATIONS[4]

Abstract

The purpose of this paper is to analyse the economic indicators of sustainable development of spas in Serbia. The paper starts from the newest division of sustainable development indicators of the tourist destination given by the European Commission. The aim is the ranking of the leading spas in Serbia according to the level of tourism economic sustainability. The following methods are used in the paper: VIKOR method for determining the level of economic sustainability of tourist destination development, and FANMA method for determining the weight coefficients which are necessary for the implementation of VIKOR methods. Based on VIKOR method and starting from the economic indicators of sustainability of the tourist destinations, the leading spas in Serbia are ranked according to the economic sustainability of their development as tourist destinations. The research results indicate to tourism development policy makers to which the spas in Serbia activities should be directed in order to increase the level of their economic sustainable development.

Key words: *tourist destination, development, spas, economic indicators, sustainability*

JEL classification: 0290

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АНАЛИЗА КЉУЧНИХ ИНДИКАТОРА ЕКОНОМСКЕ ДИМЕНЗИЈЕ ОДРЖИВОГ РАЗВОЈА БАЊА У СРБИЈИ КАО ТУРИСТИЧКИХ ДЕСТИНАЦИЈА

Апстракт

Сврха овог рада је анализа економских индикатора одрживог развоја бања у Србији. У раду се полази од најновије поделе индикатора одрживог развоја туристичке дестинације коју је дала Европска комисија. Циљ рада је рангирање водећих бања у Србији према нивоу економске одрживости туризма. У раду су примењене VIKOR метода, за утврђивање нивоа економске одрживости развоја туристичке дестинације, и FANMA метода, за утврђивање тежинских коефицијената који су неопходни за примену VIKOR методе. На основу VIKOR методе, а полазећи од економских индикатора одрживости развоја туристичке дестинације извршено је рангирање водећих бања Србије према економској одрживости њиховог развоја као туристичких дестинација. Резултати истраживања указују креаторима развојних политика у туризму ка којим бањама Србије треба усмерити активности у циљу повећања нивоа њиховог економски одрживог развоја.

Кључне речи: *туристичка дестинација, развој, бање, економски показатељи, одрживост*

Introduction

In Serbia, the spas have a long history of development, and spa tourism has a long and rich tradition. In addition to the long development history, it may be concluded that Serbia is one of the richest areas of mineral and thermal mineral waters in Europe. Hence, priority in the development of tourism in Serbia should be given to spas, with the inevitable emphasis on the sustainable development of spa tourism. Sustainable tourism development of spas should be based on an integrated, holistic approach. Increasing the social responsibilities of the spas in the private and public ownership can increase the level of economic and sustainable development of tourism.

In order to determine the level of sustainable development of tourism in the spas in Serbia, the paper uses a system of indicators of tourist destinations sustainable development proposed by the European Commission (European Commission, 2013, p. 21-22). This system of indicators in the field of tourism includes the following sets of indicators: Destinations Management, Economic Value, Social and Cultural Impact, and Environmental Impact. All these groups of indicators can be divided into the Core and Optional Indicators. Since the Core indicators represent a starting point for measuring the level of tourism destinations sustainability, in this paper, special attention is paid to the so-called Economic Value Core Indicators.

This paper will point out to the possibility of applying VIKOR methods to determine the level of sustainable development of spas in Serbia starting from economic indicators defined by the European Commission. Application of this method for multiple criteria decision making will enable ranking of spas from the standpoint of economic indicators of the tourism sustainability. At the same time, based on the identified and analysed the development levels of sustainable tourism, the measures that are necessary to implement a tourist destination and its entities will determine in order to manage the development of sustainable tourism. Another method that was used in the work, which is a prerequisite for applying VIKOR method, is FANMA for determining weight coefficients. FANMA method is chosen because it is objective and generates weights of criteria directly from the criterion value variants. It also eliminates the problem of subjectivity and incompetence. The analysis in this paper focuses on three major spas in Serbia as a well-known tourist destination: Vrnjačka Banja, Sokobanja and Niška Banja. The criteria that are taken for evaluation of the economic viability of tourism in these spas are: Number of tourist nights per month, Average length of stay of tourists (nights), Occupancy rate in accommodation average for the year, and Direct tourism employment as a percentage of total employment.

Theoretical background

The concept of sustainable development is an important factor when making decisions in different industries. According to the Brundtland report, sustainable development is a “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 43). As the tourist industry becomes increasingly important for countries around the world, the need to develop tourism in a sustainable manner has also become a primary concern (Richards, Hall & Hall, 2003). “In recent years, sustainable tourism has become an increasing political leitmotiv for tourist destinations (Tanguaya, Juste & Therrien, 2013). ”Sustainable tourism should: a) make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity; b) respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance; c) ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation (UNEP & UNWTO, 2005, p. 11-12). The WTO has adopted a sustainable approach as key to tourism’s long term future and defined sustainable tourism as follows: “Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems” (WTO, 1995). The need for sustainability in tourism is nothing new. “However, combining social, environmental and economic principles in the integrative concept of sustainable development is an innovative contribution” (Torres-Delgado & López, 2014, p. 123). Fast and tumultuous development of tourism imposed a necessity to research tourist market (Ubavić, 2015, p. 167). Successful tourist destination development heavily depends on the achieved level of competitiveness (Krstić, Jovanović & Stanišić, 2014, p. 61).

A particular set of indicators is used in order to determine the level of sustainable development. In 1991, the World Tourism Organization (UNWTO) launched an initiative to develop indicators of sustainable tourism at the global level. According to the World Tourism Organization, indicators quantify or evaluate specific information, allowing that decision-makers reduce the possibilities of unconscious making bad business decisions. The selection, monitoring, quantification, and evaluation of appropriate indicators of sustainable tourism is a very complex and demanding job, although it is simple in theory. In addition to the World Tourism Organization, European Union, OECD and other international organizations, numerous teams of experts over the past two decades have been dealing with the problems of defining and implementation of indicators of sustainable tourism (Miller & Twining-Ward, 2006, p. 148).

Professional consultants of the European Commission, summarizing the results of research conducted in various tourist destinations, but also taking into account all the problems related to the possibility of determining carrying capacity, had drawn up a list of indicators for monitoring and determining the degree of sustainability of tourism development. In defining the indicators, they start from the need to integrate several crucial groups of factors such as: economic, ecological, social, cultural, and tourist satisfaction. The indicators that take into account these factors allow evaluation of the current state of development of tourism, and thus leads to the primary inputs to take the necessary administrative measures and activities (European Commission, 1995).

The European Commission has developed a European Tourism Indicators System for Sustainable Management at Destination Level, which is a comprehensive system, simple to use, flexible and suitable for all tourism destinations. The system is designed to be used by tourism destinations to monitor, manage, measure and enhance their sustainability performances, without the need of any specific training. This system has 27 core and 40 optional indicators, which are divided into four sections: Destinations Management, Economic Value, Social and Cultural Impact, and Environmental Impact (European Commission, 2013, p. 21-22). Destination management indicators emphasize important decision-making and communication issues that contribute to sustainable tourism management in the destination. Economic value indicators help track the contribution of tourism to economic sustainability in the destination. Social and cultural impact indicators focus on the effects of tourism on the residents and cultural heritage in the destination. Environmental impact indicators focus on those elements that are critical to the sustainability of the natural environment of the destination. Core indicators are the starting point for measuring the level of sustainability of tourism in destination (European Commission, 2013, p. 20).

A set of carefully selected indicators that are continuously monitored should reflect sustainable development of a particular destination. Ranking destination according to the level of sustainable development is possible using one of the methods for multiple criteria decision making. Multiple criteria decision making relating to the situation of deciding if there are more commonly conflicting criteria (Čupić, Tummala & Suknović, 2001). Ranking alternative according to the large number of criteria at the same time, contributes to the reality of dealing with such situations. The best known multi-criteria decision-making methods are: ELECTRE, PROMETHEE, AHP, TOPSIS and VIKOR method.

The importance of the spa tourism for improving the competitiveness of the tourism sector in Serbia

Serbian spas occupy an important place on the tourist map. There are more than 1,000 sources of cold and hot mineral water, as well as a great wealth of natural mineral gas and medicinal mud in Serbia. In addition to spas rich in medicinal waters, and so-called air spas are important in Serbia, which are, due to favorable climatic conditions and geographic location, proclaimed as a health resort. Although the territory of Serbia is extremely rich in waters, although no country in Europe has such mineral resources as Serbia, only 30% of the groundwater potential is utilized. In addition, the incompleteness of the tourist offer, and significant differences in the ability to communicate geographical position, had a different effect on seasonal fluctuations of tourist traffic in some spas.

However, tourism Serbia, and within it, especially spa tourism are one of the activities that great results are expected and it is certainly a big chance that we should take advantage. From a total of 14 tourist places in which is recorded over 100,000 overnight stays in Serbia, even seven are spas, while Vrnjačka Banja is one of the three places which has over one million overnight stays, in addition to Belgrade and Zlatibor. The spas are dominated in the total structure of overnight stays in our country. Participation of spa tourism in total tourist nights in 2013 amounted to 32.5%. It is even more pronounced participation of overnight stays of domestic tourists in spas in total overnight stays of domestic tourists in Serbia, 43.5% in 2013. Spas occupy 27.8% of accommodation capacities in tourism of Serbia (Statistical Office of the Republic of Serbia, 2014).

Table 1 shows the number of tourists, total and average number of overnight stays, as well as accommodation capacity (number of beds) in the most frequented spas in Serbia in 2013.

Table 1: Number of tourists, the number of overnight stays and the accommodation capacity of the most popular spas in Serbia (2013)

Spas	Tourists	Overnight stays of tourist	The average number of overnight stays		Accommodation capacity (beds)
			Domestic	Foreign	
Vrnjačka Banja	156240	594804	3.9	3.0	13110
Sokobanja	50629	306506	6.1	3.4	6786
Niška Banja	4440	29649	8.6	2.4	1228
Koviljača	20644	171809	9.1	5.2	1228
Ribarska Banja	7703	53018	8.9	2.5	247
Mladenovac	6789	146439	9.3	5.6	437
Mataruška Banja	4767	45450	10.0	2.5	930
Gornja trepča	9814	104300	10.3	13.0	2620
Gamzigradska Banja	4389	59410	14.2	2.4	358
Sijarinska Banja	5598	51426	9.4	5.4	858
Vranjska Banja	4943	33000	7.1	2.8	208
Aranđelovac	26050	66460	2.7	2.1	1002
Bogutovačka Banja	2074	18133	8.8	7.9	388
Banja Vrujci	9202	39513	4.3	4.0	861

Source: Statistical Office of the Republic of Serbia, http://webrzs.stat.gov.rs/

These data and analyzes confirm the significant role of spa tourism in tourist traffic. Spa tourism has been considerably rising in Serbia. Popular spas are becoming sought-after destinations. In recent years, in Serbia a lot of effort and money are invested for the reconstruction and improvement of te spas. The task for the coming period is the development of spa tourism on a sustainable basis.

The methodology applied in the work and the research hypothesis

Sustainable economic development of spas in Serbia is very important for the overall Serbian development and for the sustainable development of Serbian tourism. The aim of this study is ranking the leading spas in Serbia according to the level of economic sustainability of tourism.

In accordance with the research the following starting hypothesis is formulated:

The level of economic sustainability of tourism in Serbian spas as a tourist destination is directly proportional to tourist traffic.

Testing the hypothesis is done by applying VIKOR method. Information base of research represents the database of the Statistical Office of the Republic of Serbia.

VIKOR method (method for multiple criteria compromise ranking) was developed on the basis of the elements of the compromise programming. The method is based on the “borderline” form L_p - Metrics (Opricović, 1986). Seeking a solution that is closest to the ideal is wanted. It is particularly suitable for situations where the quantitative criteria prevail.

VIKOR method has significant application in various scientific fields, but also in practice. In the literature, Chang and Hsu (2009) used VIKOR method for prioritizing land-use restraint strategies in the Tseng-Wen reservoir watershed. Sayadi, Heydari and Shahanaghi et al. (2009) used extension VIKOR method for the solution of the decision making problem with interval numbers. Liou, Tsai, Lin and Tzeng (2011) used a modified VIKOR method for improving the domestic airline service quality. Huang, Liou and Tzeng (2009) apply the VIKOR method of MCDM to evaluate and rank their performances for determining the alternatives of night-market system. Arzhang and Hamidi (2014) evaluated the factors that affect on the financing of tourism industry in Iran. ANP and extended VIKOR approaches have been presented under the fuzzy environment to select the most suitable place for a cruise port in Istanbul (Demirel & Yucenur, 2011). Lui, Tzeng and Lee (2012), in their research demonstrated a holistic approach, a hybrid MCMD models (DANP and VIKOR method) for evaluating complex national tourism policies. Tsai, Chou and Lai (2010) use VIKOR method to rank Taiwanese national park websites. Overall, the results show that each national park website must be improved in order to become a high quality website. Based on the above, we can conclude that VIKOR method has significant application in tourism.

Multiple criteria decision refers to decision-making situations in which a greater number of conflicting criteria are usually present. In order to make good decisions, you need to specify an alternative definition of corresponding criteria. It is also necessary to define the weights of each criterion, and the importance of each criterion in relation to the other. Weighted coefficients represent the numbers that can be calculated using objective and subjective methods (FANMI, CRITIC, the method of weighted least squares, method of entropy, etc.).

The paper will apply an objective method for determining the values of weighted coefficients or FANMA method. This method is proposed by Fan (1996) in his dissertation

(Fan, 1996). Short description of the method is given by Ma and colleagues (Ma, Fan & Huang, 1999). Starting from the surnames of these authors, Srđević explained in detail the method called “FANMA method” in the case of selection variant irrigation technologies (Srđević, 2005).

Results and Discussion

Determination of criteria in order to form the initial decision matrix according to VIKOR method

The paper pays special attention to Economic Value Core Indicators, which determines the level of the economic viability of the destination. This group of indicators includes the following indicators: Number of tourist nights per month, Daily spending per tourist (accommodation, food and drinks, other services), Average length of stay of tourists (nights), Occupancy rate in commercial accommodation per month and average for the year, Direct tourism employment as percentage of total employment, Percentage of tourism enterprises inspected for fire safety in the last year and Percentage of tourism enterprises actively taking steps to source local, sustainable, and fair trade goods and services (European Commission, 2013, p. 20). Based on the available data, the economic indicators of sustainable tourism development are calculated in Table 2 on the basis of which we will make ranking the leading spas in Serbia.

Table 2: Economic Value Core Indicators

Spas	Number of tourists per night	Average length of stay of tourists	Degree of capacity utilization	Employees in tourism in relation to the total number (%)
Vrnjačka Banja	50974.9	3.85	12.78	5.3
Sokobanja	25542.2	6.05	12.37	5.6
Niška Banja	2470.8	6.68	6.61	0.3

Source: Author's calculations

According to the Number of tourists per night, Vrnjacka Banja has the advantage among the three observed spas. Also, Vrnjacka Banja had the highest level of capacity utilization. The longest Average length of stay of tourists is recorded in Niška Banja, while Sokobanja has the highest percentage of people working in tourism in relation to the total number of employees. Indicators of the economic sustainability of tourism for leading spas shown in Table 2 represent the initial decision matrix.

Ranking spas as tourist destinations based on indicators of economic sustainability of tourism according to VIKOR method

Starting from d_{ij} and weight criteria calculated using the FANMI method we calculated S and R (Table 3).

Table 3: Calculated values of $w_{ij}*d_{ij}$, S and R

	$w_{ij}*d_{ij}$				S	R
	f_1	f_2	f_3	f_4		
w_{ij}	0.2103	0.2555	0.267	0.2673		
a_1	0.000	0.256	0.000	0.015	0.271	0.256
a_2	0.110	0.057	0.018	0.000	0.185	0.110
a_3	0.210	0.000	0.267	0.267	0.745	0.999

Source: Author's calculations

According to the obtained values QS, QR and Qi for each spa, three independent rankings can be formed. According to all criteria, QS, QR and Qi (v = 0.5), alternative A_2 (Sokobanja) is the best. Alternative A_2 satisfies the condition U1 because

$$Q_2\text{-}Q_4 = 0{,}540\text{-}0{,}001=0{,}539$$
$$DQ=\min(0.25\ ;\ 1/(3\text{-}1))=0{,}25$$
$$Q_2\text{-}Q_4 > DQ$$

It can be said that alternative A_2 has a sufficient advantage with respect to the second alternative A_1, i.e. Vrnjačka banja. At the same time, alternative A_2 meets the requirement of U2 because it is on the first place in all rankings. Since it meets two conditions, we can conclude that the Sokobanja achieved a higher level of economic sustainability of tourism development in relation to the Vrnjačka banja. Ranking is made in Table 4.

Table 4: Ranking list based on QS, QR and Q_i (v=0.5)

	QS	QR	Q_i (v=0.5)	Q_i (v=0.25)	Q_i (v=0.75)
a_1	0.153	0.927	0.540	0.733	0.346
a_2	0.000	0.002	0.001	0.001	0.000
a_3	0.999	1.000	1.000	1.000	0.999

Source: Author's calculations

We perform an analysis of alternatives A_1, the second on the ranking list *Q_i (v=0,5)*
Testing condition U_1
$Q_3\text{-}Q_1=1{,}000\text{-}0{,}540 > 0{,}25$
The first condition was met, because the second alternative A_1 has "sufficient advantage" in relation to the third-ranking alternative A_3.

U2 condition is fulfilled because the alternative has enough stable the second place according to all criteria. Thus, the highest level of economic sustainability of tourism has Sokobanja. Vrnjacka Banja is in second place, and Niska Banja is on the third place. Based on this we can conclude that the defined hypothesis is *rejected*. The Vrnjacka Banja is a resort that has the highest tourist traffic between the spas in Serbia. However, Vrnjacka Banja is not spa which achieved the highest level of economic sustainability of tourism.

Conclusion

Sustainable tourism development is imperative that arises in modern conditions. Given the role and significance of spa tourism in the tourist offer of Serbia, the sustainable development of spa tourism should be imperative for makers of development policies in Serbia. In order to manage sustainable tourism development, it is necessary to continually monitor and analyze of sustainability indicators.

The paper presents one of the possible ways of analysis of indicators. It can be concluded that the multi-criteria analysis can be successfully applied for the ranking of spas according to the level of economic sustainability of tourism. This has been demonstrated in the example that is solved by the methods VIKOR. This method enables the implementation of a holistic approach and allows that spas to be ranked according to the level of economic sustainability of tourism starting from a larger number of indicators. It is necessary to emphasize that it is possible to change the criteria (number and type of indicators) and their weight, depending on the tourist destinations that are observed. Also, it is possible to apply other methods of multi-criteria analysis for the ranking of spas and other tourist destinations according to the level of sustainable development of tourism.

According to the results of the research in this paper, Sokobanja has made the highest level of economic sustainable development in tourism, while the lowest level is achieved in Niška Banja. In order to increase the level of sustainable tourism in Niška Banja, it is necessary to apply measures that will contribute to the economic sustainability of tourism. Achievement of this goal requires better cooperation between the public and private sectors that would contribute to increasing the quantity and quality of the tourist offer of this destination. It is also essential that policy makers of tourism development find a balance between the opportunities for development of Vrnjačka banja, as spa with the highest potential in Serbia, and level of economic sustainability of tourism.

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TOURISM DEVELOPMENT IN MACEDONIA: EVALUATION OF THE WINE ROUTE REGION

Abstract

The paper evaluates the current status of tourism development in the Wine route region in Macedonia. It analyses the major problems and obstacles that prevent further tourism expansion of this region by pointing to weaknesses that need to be addressed. The main accent is put on the necessity for reformulating the strategy for change. A field survey was conducted in the line of assessing the up-to-date tourism growth. The overall conclusion is that the destination has profound limiting factors for further tourism development. Therefore, the current marketing strategy needs an improvement in the line to overcome the spotted obstacles for destination and product development.

Key words: *Tourism development, Tourism planning, Wine route, Macedonia*

JEL classification: F63, L83, O21

РАЗВОЈ ТУРИЗМА У МАКЕДОНИЈИ: ОЦЕНА РЕГИОНАЛНОГ ВИНСКОГ ПУТА

Апстракт

У раду се оцењује тренутни статус развоја туризма у региону винског пута у Македонији. Анализирају се главни проблеми и препреке које спречавају даље туристичко ширење овог региона указујући на слабости које се морају решавати. Главни акценат је стављен на неопходност да се промени стратегија. Истраживачко поље је спроведено у низу процена раста туризма. Општи закључак је да ова дестинација има дубоки ограничавајући фактор за даљи развој туризма. Дакле, садашњу маркетиншку стратегију треба побољшати у правцу превазилажења препрека за поменуту дестинацију и развој производа у њој.

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Introduction

Tourism is one of the most important socio-economic activities related to development at local, regional, national and global level. Although it is treated as a relatively new phenomenon that achieved its boom during the last century, it is noticeable that tourism takes an important part in almost every country where natural, cultural, economic, social and environmental recourses are identified as potentials that may contribute to national economy through tourism development. The importance of tourism is even more evident if it is considered as a part of a worldwide process of globalization. Thus, every country pays certain attention to conditions that contribute to tourism development and its benefits.

Tourism in Macedonia emerged as a major component for regional and overall economic development, which can trigger growth and prosperity. The objective of this paper is to evaluate current stage of tourism development of the Wine route region in Macedonia. In particular, the paper attempts to explore and identify the major problems and weaknesses that need to be addressed. The focus is put on the major opportunities for improvements, particularly formulating the sector vision of change and the vision of change for products and services, as well as the identified interventions to reach the vision of change. The paper is structured in several parts. After the introductory part, Section 2 provides a brief overview on literature addressing the issue of tourism, regional development and tourism destination competitiveness. Section 3 provides some stylized facts for the Wine region, by elaborating the regional and local context. Section 4 presents tourism market map, while Section 5 encompasses the analysis, results and discussion of the research. Future challenges and recommendations are presented in the final section.

The general contribution of the study lies in the fact that enriches poorly developed academic work in this issue related to tourism development of Macedonia. Yet, some exceptions are noted in the work of Petrevska and Nestoroska (2015), Dimoska and Petrevska (2012), Petrevska and Manasieva Gerasimova (2012) as well as Petrevska (2012).

Literature review

The concept of regional development includes on one hand, the dynamics of development of specific areas, primarily understood as a regional economic development of those areas, but also regional traffic, population or environmental development. There is a large body of literature which main thesis are that regional development must be based on the exploitation of best potentials of the regions environmental features, and sustainable development must be based on reasonable regional development.

In this respect, the conventional thinking about the relationship between tourism and regional development is present in many studies (Sharpley & Telfer, 2002; Rayan, 2010; Stabler et al, 2010). Other researchers investigate the local, place-based factors that influence tourism development, and ask why some tourism areas develop more than others (Raina & Agarwal, 2004). Likewise, a focus is put specifically on the less developed world and by arising many assumptions about the role of tourism in development and, in particular, highlighting the dilemmas faced by destinations seeking to achieve development through tourism (Huybers, 2007; Telfer & Sharpley, 2008). Some authors even endeavor to a critical approach within a multi-disciplinary framework to relook at the complex phenomenon of tourism development (Babu et al, 2008; Ramos & Jimènez, 2008).

Tourism is seen as a 'sunrise' industry that is labor intensive and therefore offers the potential to be a substantial source of employment. In short, much attention has been directed to tourism's economic potential. Due to the relationship between food and tourism, some authors underscore the significant opportunity for product development as a means to rural diversification (Bessière, 1998). Others examine the contemporary issues and reasons for tourism development as a strategy for urban revitalization (Pearce & Butler, 2002) as well as for providing the basis for a better informed integration of tourism in regional development strategies (Sharma, 2004). Moreover, some discussions are towards various policy innovations as activities by regions in terms of tourism development considering continuous growth within the sector (Giaoutzi & Nijkamp, 2006). Additionally, as tourism and regional development are closely linked, regions and local authorities play a key role in the formulation of policy and the organization and development of tourism (Constantin, 2000).

Identification of tourism potentials is in close relation with the need of achieving destination competitiveness on tourist market. Many debates are undertaken about the question of tourism development and competitiveness (Kozak & Remmington, 1999; Maliàn-Gonzàlez & Garzìa-Falcòn, 2003; Enright & Newton, 2004; Johns & Mattsson, 2005; d'Hauteserre, 2000). In this line, Ul Haque (1995) and Barbosa (2008) state that the international debate has been centered on two questions: whether a country's competitiveness has clear meaning, and whether anything can or should be done about it. In addition, identification of tourism potentials and assessment of competitiveness in tourism sector is more complicated due to the heterogeneous character of tourism. Crouch and Ritchie (1999) underlined that it occurs because of the analysts' perspective and focus of their interest, which is related to their respective areas of operation. Furthermore, Dwyer and Kim (2003) argue that every destination must ensure that its general attractiveness and total experiences provided to the visitors are similar or greater than what is offered by other destination. In this light, Gooroochurn and Sugiyarto (2004) state that tourism destination competitiveness is very important for creating sound tourism development policy.

Snapshot on the Wine route region

The wine tourism in Macedonia is relatively new type of tourism, which is identified in strategic documents (up-date of the National Strategy for Tourism Development 2011-2015) as separate cluster for regional tourism development. The reasons for such a delay, lays in the fact that the wine was not observed as a possibility for economic development in terms of application as material and spiritual cultural heritage. Side by side with France, Italy and Spain, Macedonia belongs to the so called "old wine countries".

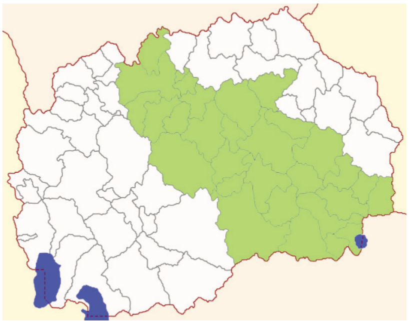


Figure 1. Wine route

The "wine tourist product" is generally offered to tourists as part of some other tourism supply, or as a day excursion. The offer consists of tasting different wines, tours in the production area, some history lessons, stories, as well as good traditional catering and shopping possibilities. Some of the wineries have accommodation facilities and some offer just catering and wine testing. The most visitor traffic is generated directly, rather than through travel agencies and tour operators. There is a need for more aggressive promotion of the wine tourism product. The wineries are dispersed in three main regions: (1) Povardarie - Vardar Valley (central region); (2) Pcinja - Osogovo (east region); and (3) Pelagonisko - Poloski (west region).

Povardarie is the largest and the most famous vineyard region in Macedonia. The geographical representation of the wineries is identical to the representation of the vineyards, where most companies are located in the central region of the Vardar Valley. Hence, the potentials for development of wine tourism are within Povardarie. The destination covers 16% of the national territory spreading over generally rural municipalities. The population density is very low being only 38 inhabitants/km^2. The general unemployment rate is 43.9% (higher than the national rate of 29%), while the unemployment in services is 47%. The positive light can be seen in the willingness to start own businesses due to governmental activities and support. Yet, the absence of foreign language proficiency is an obstacle for further tourism development. The climate is favorable for development of agriculture, especially viticulture. The destination is reachable by road (909 km of local roads, 56.5 km of highway, 60.5 km of main roads and 557 km of regional roads), train (total length of the railway network is 183.5 km) or by nearby national airport in Skopje.

During the past, the vast majority of the wineries produced wine that was sold as bulk without any efforts to build a brand out of the Macedonian wine. The production of the bottled wine was marginalized. Nowadays, the wineries are investing in equipment upgrade, reconstruction and human resource development as the Macedonian wine industry makes the switch from bulk to bottled wine production. They are investing all aspects of the marketing mix and cooperate with the central government in the line of promoting Macedonian wine. Yet, despite the significant improvements, there is still much to do.

Tourism market overview of the Wine route

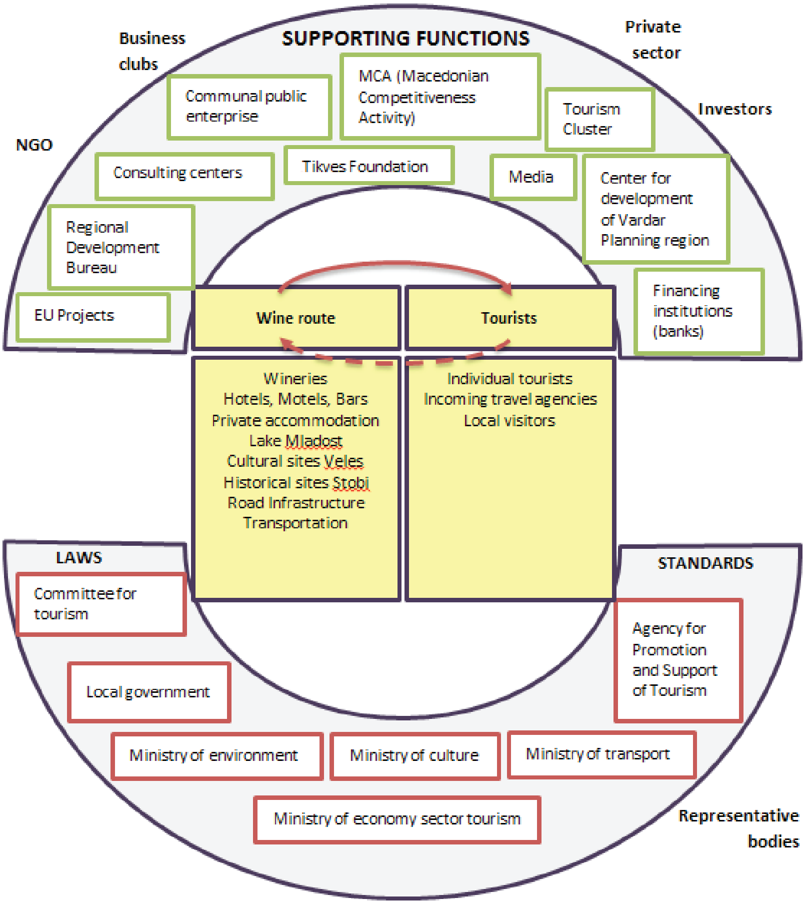
Like many countries, Macedonia has been affected by growing regional inequalities during transition. Although regional policies have been put in place over the years and a process of decentralization has been applied since the end of the 2001 conflict, they have as yet not addressed these fundamental inequalities. Officially, in accordance to NUTS3 statistical classification, eight planning regions have been defined, each with own specific characteristics and development problems. In that line, the Law on Equal Regional Development set in 2007, laid the foundation for a regional policy that conforms to EU standards and foresees resolving the problem of delayed development of some regions in an institutional manner. The Council for Equal Development has a mandate to coordinate regional development policy, and a Council for the Development of the Planning Regions has been established as a body responsible for the implementation of the policy in each planning region. The former Agency for Economically Underdeveloped Areas has been transformed into the Regional Development Bureau. Additionally, the National Strategy for

Sustainable Development and National Strategy for Regional Development (set in 2009) offered possibilities for revitalization of numerous deserted areas in Macedonia. Furthermore, recently revised National Strategy for Tourism Development (covering the period 2011-2015) gives recommendations for wine tourism development, thus identifying it as a separate strategic cluster.

Furthermore, the opening of EU accession negotiations increased the financial assistance for pre-accession reform being focused on regional development. This was seen as an important part of government policy and a strategically important issue in the EU accession process, which aims to reduce regional differences within the country. As from 2010, the National Program to Promote Regional Development was launched resulting with more than 200 regional development projects being submitted and still in process of implementation. Nevertheless, so far, regional policy has been mainly concerned with economic conditions and with creation of economic infrastructure, while less attention was paid to particular issues concerning wine tourism development.

The Center for development of Vardar Planning region makes efforts for raising awareness and funds for developing wine tourism in the destination. The intention is to combine transit, cultural and wine tourism and create a complex and unique tourism product. The Chambers of Commerce undertake activities for promoting the Macedonian business environment and increasing sales of Macedonian products on the global market, by organizing the event "Producer of wine in the Republic of Macedonia". Despite the efforts by the Macedonian winemakers on establishing a professional wine tasting panel and implementing a program for certification of high quality wines, substantial results are missing. Yet, on highly respected international wine competitions, the Macedonian wines continued to receive international validation for the quality. In the line of initiating activities for organizing wine trails that will be connected into a cohesive product, the "Tikvesh Foundation" was established. Although this foundation tries to collaborate with the Tourism Cluster, the undertaken activities so far, may be assessed as modest due to limited resources. In the frames of the Macedonian Competitiveness Activity Project, a solid base for future development of wine tourism in the destination was set. However, just after project completion, the identified ideas for wine tourism development were not implemented.

Figure 2. Sector map for destination Wine route



The community involvement in wine tourism development is exceptional. Although being noted in some strategic documents, still the locals are mainly involved in supporting wine tourism only as a potential one. Only small part of the local community is directly or indirectly involved in promotion of wine tourism, generally due to their enthusiasm. Overall, the lack of coordination among the key market players is the general conclusion.

There are many challenges that destination is facing with. The key providers of tourism services within the destination are established networks of supply chain as well as local self-government, NGO sector and Center for development of Vardar planning region.

Applying the Making Markets Work for the Poor (M4P) methodology the sector map for the Wine route is given on Figure 2, which is comprehensive. Many of the supporting functions currently present at the destination may be used in the line of supporting and enhancing sustainable development.

Generally, all tourism activities within the Wine route are driven by the actors at regional level. The Center for development of Vardar Planning region makes efforts for raising awareness and funds for developing wine tourism in the destination. The intention is to combine transit, cultural and wine tourism and create a complex and unique tourism product. The Chambers of Commerce undertake activities for promoting the Macedonian business environment and increasing sales of Macedonian products on the global market. “Tikves Foundation” plays crucial role in the line of initiating activities for organizing wine trails that will be connected into a cohesive product. Although this foundation tries to collaborate with the Tourism Cluster, the undertaken activities so far are modest due to limited resources. In the frames of the Macedonian Competitiveness Activity Project a solid base for future development of wine tourism in the destination is set.

Analysis, results and discussion

In order to evaluate current tourism development of the Wine route, a field survey was undertaken as a part of a broader research conducted during the period 11-19 July, 2014. It included the quantitative approach by introducing a factor analysis. The data were collected by a self-administered questionnaire distributed in the following locations along the Wine route: Demir Kapija, Gradsko, Negotino and Veles. The overall response rate was 85%, while the rest of the questionnaires were incomplete and unusable. It was foreseen to evaluate six previously spotted wineries from the wine region (75% of all wineries in the wine region). Yet, during the field research it was detected that the winery “Grkov” was closed due to negative business results, and that the same owner opened a new one (winery “Sato Sobot”) in the near vicinity. The winery “Tikves” was excluded from the field survey due to their unwillingness to be a part of the research, so the following wineries were surveyed: “Bovin”, “Elenov”, “Popova Kula”, “Sato Sobot” and “Stobi”. According to the working position of the respondents, the structure is 71% employees, 23% managers, and 6% winery owners. Due to fact that the majority of the employees in the wineries are men, the gender structure of the respondents was 88% male and 12% female. All respondents were Macedonians with an average age of 38 years.

Supporting functions/services

Only half of the investigated wineries in the destination have accommodation capacities with an average of 26 rooms per facility. Almost 60% of the wineries which offer accommodation services do not have a star classification of the facility, although are fully aware that it helps in attracting guests and increases their number. In case of so, it is under a four-star classification providing good quality of accommodation service. The restaurant facilities offer food and beverage services with an average of 122 seats. Besides enjoying the stay and good wine, the visitors may use additional services in the nearby vicinity (Negotino, Kavadarci, Veles or Demir Kapija), like pharmacy, emergency healthcare, a car-mechanic, police and fire fighting services. According to the suppliers, the tourist attractions and locations in the destination are easily accessible for tourists, but are not well marked. Yet, there are numerous services that are missing in the supply chain in terms of tourists’ satisfaction. The destination is missing regular public buses or van transportation to/from the wineries. There are no public parking plots, public toilets nor public waste disposal. The wine region is missing a tourist information office as well.

Problems and underlying causes

The field survey revealed several problems, which could be considered as very large obstacles for tourism development of the Wine route. The average price of the most common service per person that the facilities sell is up to 50 EUR, which initiates necessity of improving the services in terms of “better served-better paid”. There is an absence of accommodating opportunities within half of the facilities. Domestic tourist agencies and foreign tour-operators are not sufficiently used as intermediaries in the line of increasing the market. Despite the fact that half of the surveyed wineries receive subsidies from the state and thus support their business performance, the access to finance is identified as one of the top-3 limitations to the facilities’ development. The second limiting factor refers to the promotion at foreign markets and cooperation with foreign partners. This is another limitation mutually identified by the managers and the employees of the wineries. Yet, a slight difference is noted concerning the third limitation. According to the managers, the economic situation in the country is a strong limiting factor in the facility’s development. This is not the case with the employees, who disregarded the economic situation and omit it from the ranking in favor of the specialization at the workplace.

The number of visitors to the facilities in the last two years is very unsatisfactory (3 persons/day in small wineries, and 14 persons/day in large wineries). Only 50-60% of the visitors are foreign tourists, which leads to very modest multiplier effect. Generally, the foreign tourists come from neighboring countries (Greece, Serbia, Bulgaria, Albania and Kosovo), although there are also foreigners from other European countries and Worldwide. One may find Macedonians from the diaspora as visitors to the destination, as well. Generally, the visitors stay up to 1 day and very rarely 2-3 days. They visit the facilities by car and bus, and exceptionally by train and plane.

The unfavorable economic situation in Macedonia in general, and particularly in this region, leads to law payment in tourism. An interesting note may be underlined concerning the issue that work in tourism is safe and secure. Namely, the male respondents have dilemma where to agree or disagree, while the female employees do not perceive it as safe and secure. According to the working position, the managers of the wineries disagree opposite to one surveyed owner who finds it safe and secure the same as the majority of the employees. This leads to conclusion for having unclear picture referring this issue.

Although unavailability of funding sources, particularly if woman entrepreneur runs it, is detected as an overall obstacle for tourism business, there are slight differences in the perception among different target groups. Namely, while the owners are neutral, the managers agree, and the employees have a dilemma whether to agree or to be neutral. In case when making a gender cross-tabulation, one may note that neither men nor women cannot decide either to be neutral or to agree. On the other side, there is no dilemma for the youth who disagree that this can be an obstacle. Furthermore, closely linked to the previous statement is the one concerning the membership of woman in the Tourism Committee. Namely, the overall perception is that by supporting women’s involvement in tourism institution, one may improve the position of women entrepreneurs in tourism. Both genders, agree to strongly agree to this statement, as well as the youth and the employees. Only owners/managers are neutral and are not convinced in the potentially positive reflection concerning this issue.

Core Value Chain

The supply side of the destination is consisted of continuous growing number of officially registered wineries (from 54 in 2008, to 81 in 2013). Yet, some of them stopped their production due to negative business results such as the winery "Grkov" from Kavadarci. Today, the following wineries are among the most active within the destination: "Tikves", "Popov" and "Trajkovski" in Kavadarci; "Popova Kula" and "Elenov" in Demir Kapija; "Stobi" - Gradsko; "Bovin" - Negotino and "Sato Sobot" - Veles (opened by the same owner from the winery "Grkov", but at another location). These wineries produce 85% of total production of Macedonia with different annual production. 5% of the surveyed wineries produce up to 50,000 liters, 35% produce up to 75,000 liters, 25% produce up to 1,300,000 liters, and 35% produce up to 7,000,000 liters of wine per year.

The wineries are affiliated in a cluster and make joint offer. The small wineries export abroad up to 40% of the annual production, while large wineries export up to 70-85%. All wineries that are active within the Wine route region possess working certificate. Some of them are fresh to the market, but some have 10 even 15 years of experience. The smaller wineries have an approximate yearly income up to 50,000 EUR in the last two years, but the larger ones have earned more than 600,000 EUR. The number of employees ranges from few, to over 40 employees and in most cases the employees have secondary education. Half of the investigated wineries receive subsidies from the state, share good opinion on its impacts on the business performance and relatively satisfactory distribution among tourism actors. The facilities use various different marketing channels for promotion of their offer, like: Internet, social networks, print media, TV and radio advertising, billboards, direct communication and sponsorship. Yet, the tourism supply of the Wine route region as a destination is not well promoted via Internet.

The surveyed respondents perceive that the good 'seasons' for destination's development in terms of tourism is summer (due to mobility of tourists transiting the region) and autumn (due to "grape's period"). The utilization of the capacity within the season is estimated to 80-100%, while out of season the wineries work approximately with 20-30% of the capacity. Being aware of the negative effects of seasonality on tourism business, they take measures and activities for overcoming it, but with modest and limited results.

Conclusion and Recommendations

Upon detailed field survey and literature review related to the destination's tourism development, it may be concluded that the Wine route region of Povardarie has very modest tourism results. The region is faced by many challenges since the lists of weaknesses and threats for tourism development are long and substantial. Yet, some competitive advantages may be found at quality of services, low service prices, and natural beauties. As a good starting point for further improvement of the destination in tourism manner, one may take in consideration several elements, prioritized to their importance for tourists visiting the destination. So, natural beauties, cultural events, and traditional food are detected as items for enhancing current tourism supply of the Wine route region. Furthermore, being affiliated in a cluster gives a positive light for improvements of the current joint supply with other wineries from the wider region. The worth noticing export data (up to 45% of the annual production for small wineries, and up to 70-85% for large wineries) presents a solid initial base for strengthening the wine entities in the broader foreign market. The "Tikves Foundation", alongside with the initiatives of the Center for development of Vardar Planning region and the isolated private initiatives, may have crucial role in affirmation of the necessity of introducing wine tourism to the destination in more effective manner.

There is a need to identify measures and activities that will contribute to creating more competitive tourism sector, as well as to enable systematic change in terms of improving tourism services offered in the Wine route region. Namely, there is a necessity of promoting the "wine tourism product" and the region in general to the specific groups of visitors (wine-lovers, adventure-tourists etc.). The solution may be found in the creation of sophisticated software modules for wine tourism promotion. Furthermore, the market players should contribute much more in terms of coordinating the wine tourism activities. In this line, improvement of tourism competitiveness may be found in strengthening the coordination with local government, cooperation with foreign partners, presence of political will as well as raising awareness of local inhabitants concerning the positive effects of wine tourism development.

The vision of change for services perceives interventions in more systematic approach. In this line, the priority strategic action is seen in improving the knowledge and behavior of employees in tourism sector of the region. Despite the overall unfavorable economic situation in the country and the low payments in tourism, one may create an environment for stabile and high performance employment. Developed complex and unique "wine tourism product" is the final vision of change perceived for the Wine route region.

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FACTORS OF SERBIAN SPA TOURSM AND ITS SUSTAINABILITY WITH REFERENCE TO GAMZIGRAD SPA

Abstract

Spas are whales rich in medicinal water, mud, air or other properties that help in the healing process. By analysing the factors of Serbian spa tourism, it can be determined their integrity and importance for the development of certain types of tourism, as well as the importance of these factors for the strengthening of the region in which the spas are located. Can Serbia rely on its own capabilities and resources? The answer to this question should be sought in the successful management of the country, its regions and the state of natural resources, in the establishment of proper national strategy for sustainable development. Given that Serbia has a considerable sources of renewable energy, among which occupies an important place and hydro energy, and that they are not utilized enough, both at the national and regional levels, the paper will try to give an overview of the factors of spa tourism with emphasis on Gamzigrad spa.

Key words: *Spas, factors of spas tourism, strengthening the region, hydro-geothermal energy, Gamzigrad spa*

JEL classification: Q00

ГАМЗИГРАДСКА БАЊА– ФАКТОРИ БАЊСКОГ ТУРИЗМА И ЊИХОВ УТИЦАЈ НА РАЗВОЈ ЗАЈЕЧАРКОГ РЕГИОНА

Апстракт

Бање су лечилишта богата лековитом водом, блатом, ваздухом или другим својствима која помажу у процесу оздрављења. Анализом фактора бањског туризма у Србији, може се утврдити њихова интегрисаност и значај за развој одређене врсте туризма, као и значај ових фактора за јачање региона у којима се бање налазе. Може ли се једна земља попут Србије ослонити на сопствене могућности и сопствене ресурсе? Одговоре на ова питања треба тражити у успешном руковођењу државом, њеним регионима и државним природним ресурсима, у формирању правилне националне стратегије одрживог развоја. С обзиром да Србија обилује значајним изворима обновљивих видова енергије,

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међу које важно место заузима и хидрогеотермална енергија, а да исти нису искоришћени довољно, како на државном, тако и на регионалном нивоу, у раду ће се покушати дати преглед фактора бањског туризма са освртом на Гамзиградску бању.

Кључне речи: *Бање, фактори бањског туризма, јачање региона, хидоргеотермална енергија, Гамзиградска бања*

Introduction

The development of tourism and its economic effects in the last few years, showed that it represents the future of the world economy. Therefore, new business concept is aimed in exploring new strategies in the development of tourism in relation to the preservation and improvement of the environment, meeting the increased needs and the realization of economic effects (Momirovic, 2008). Gamzigrad spa is one of the highlights registered spas in Serbia. It is located on the site 220 km southeast of Belgrade, near Zajecar. It is located at 160m above sea level in the valley of the river Crni Timok, on the end of the main road Paracin - Zajecar. Gamzigrad spa has three rounded wholes, which consists of a unique tourist offer of Timok region: Institute for Rehabilitation, Company for Hotels and Tourism „Romulijana" and holiday centre workers "Elektrotimok Zajecar" (www.gamzigradskabanja.org.rs/). After considering the factors of Serbian spa tourism, with emphasis on Gamzigrad spa, the Paper gives an overview of the sustainability of Serbian tourism and hotel industry in the development of Serbian tourism.

The effect of the presence of thermo-mineral and climatic factors in Serbian spas with regard to Gamzigrad spa

Gamzigrad spa is rich in medical mineral water with temperature of the most abundant source of 42 * C. Table 1 presents the results of the assessment for 14 major spas Serbia (Matic, 2011).

Table 1. effect of the presence of thermo-mineral and climatic factors in Serbian spas

	Classification of mineral water	*Mineral water-mark*	*Climate factors*	Rank natural factors
Niš Spa	Hydrogen carbonate water, a subclass of calcium, radon	5	5	10
Soko Spa	Hydrogen carbonate water, subclass kalcijum.-magnesium-radium radon	5	5	10
Vrnjci Spa	Hydrogen carbonate water, subclass Sodium-Calcium-Magnesium	5	5	10
Atomska Spa	Hydrogen carbonate water, subclass Calcium-Magnesium	5	5	10

Ribarska Spa	Hydrocarbonate-sulfate water, subclass The sodium	5	5	10
Prolom Spa	Hydrogen carbonate water, subclass The sodium	5	5	10
Gamzigrad Spa	Hydrogen carbon. -chloride-sulfate water, sodium subclass-Calcium-magesium	5	5	10
Koviljača Spa	Hydrogen carbonate - a chloride water, sodium-calcium subclass-magnesium	5	5	10
Kanjiža Spa	Hydrogen carbonate water, subclass The sodium	5	4	9
Junaković Spa	Hydrogen carbonate - chloride-water, subclass The sodium	5	4	9
Palić Spa	Hydrogen carbonate - chloride-water subclass The sodium	5	4	9
Slankamen Spa	Hydrogen carbonate water, subclass Calcium-Magnesium	5	4	9
Rusanda Spa	Hydrochloric water, subclass The sodium	5	4	9
Vrdnik Spa	Hydrogen carbonate water, sodium-calcium subclass magnesium	5	5	10

Source: Exploring the impact of development parameters of spa tourism, Matic, 2011.

Estimates are given for 1-5 thermo-mineral and climatic factors, while the total score for both factors ranging from 1-10. From the table it can be seen that the Gamzigrad spa has the highest marks by the composition of mineral water, according to climatic factors, as well as to the total natural factors. It is believed that the Romans used thermal mineral water of Gamzigrad spa, because they are far from them built the Imperial complex Felix Romuliana. Total number of indications for Gamzigrad spa is 9, and mineral water from its source has a positive effect in the treatment of diseases such as chronic occupational diseases, injuries and diseases of the peripheral nervous system, chronic non-communicable diseases of the skin, with posttraumatic conditions, gynecological diseases, injuries, and peripheral vascular disease, joint and soft tissue rheumatism, inflammatory and metabolic rheumatism, the overall recovery of the organism (Matic, Ilic, 2011).

The accommodation in Serbian spas with regard to Gamzigrad spa, staff potential and wellness presence

Based on the available data, it was found that Gamzigrad spa has most of the holiday accommodation, in addition to Sokobanja spa, Vrnjci spa and Niskabanja spa, whereas the total sum beds at the third position from the rear compared to other tested spas, or in 12th place (Matic, 2011). Vrnjačka Spa occupies first place ranking at the spa.

It is accordingly a number of visits by tourists, significantly expanded accommodation facilities (http://smestajvrnjackabanja.com/). Most tourists when it comes to Serbia spas, choose hotel accommodation, because they get good service, quality meals, as well as numerous activities that they wanted to in accordance with their wishes. However, tourists are increasingly opting for private housing, which in recent years recorded rapid development in some spas in Serbia. Consequently, opened up more space for the night. Recommendation for Gamzigrad spa is definitely capacity expansion and introduction of new content to attract visitors.

Staff potential of Gamzigrad spa, compared with other major spas in Serbia is given in the text (Matic, 2011). Gamzigrad spa has a total of 142 employees (data from 2011), of which 73 medical staff and nonmedical 69. It is essential for the development of spa, especially medical tourism, investment in continuing education of employees, but not for medical purposes, but also in the way of hospitality and professional dealings with spa visitors. Ranking by the presence of wellness and wellbeing, Gamzigrad spa is on the 7th place, after Vrnjci, Niš spa, Soko spa, Prolom spa, Atomska spa and Koviljaca spa. It can be concluded that the presence of such a special wellness center is not the case, but it is noted presence of certain segments in Gamzigrad wellness spa, which opens the possibility for further investment and the the entire program of spa products.

All 14 spas are the contents of cultural, historical, sports and recreational potential, the same ranking, but are listed facilities are insufficient, suggesting that there is scope for enlargement of that part of the offer. Acceptance and innovate inevitably points to the Gamzigrad spa. The sooner you accept the change, the greater the possibility of adapting the same (Matic, Ilic, 2011).

Impact of Gamzigrad spa business on the development of the region

Serbia represents a country with a very distinct regional differences, which are particularly pronounced among the most developed, the Belgrade region, and the least developed regions of Southern and Eastern Serbia

(http://www.pmf.ni.ac.rs/pmf/master/geografija/doc/2014/2014-02-05-rm.pdf).

However, much of the natural resources of Serbia is concentrated just in underdeveloped areas. This is a significant comparative advantage over developed regions and it provides the ability to underdeveloped areas to develop tourism, and efficient utilization of natural and climatic conditions, as well as improving existing facilities, ensuring efficient operations, faster economic growth, and thus regional development (Bogdanić , 2012). When it comes to the environment Gamzigrad spa, are evident knowledge since ancient times, with traces that mining near Bora has traces of knowledge of the healing waters Brestovacka Spa. Near Gamzigrad spa are monasteries Suvodol and Grliško monastery. In its surroundings, there is a mountain Rtanj, Zlot caves and a number of lakes, which certainly contributes to the attractiveness of the destination. Serbian spas in this region, are rich in extraordinary conditions for the preparation of athletes, which is very important for future development of Serbian tourism. It also has more facilities for various sports, a view of the clean air and mild climate, it is recommended to all who are looking for a good rest and a healthy environment.

Figure 1. Gamzigrad Spa in Serbia
Source: http://www.gamzigradskabanja.org.rs/index.php/contact

Table 2 SWOT analisys for Zajecar district

S *People* *Production and Energy Resources* *Tourism potential* *Thermal springs* *Traditional events* *Administrative Centre* *The position*	W Unemployment Position of the city - from the distance of the choir. 10 Poor infrastructure of roads Inadequately trained workforce Obsolete machinery Lack of development concept Technological underdevelopment Unresolved Property Issues
O *The spa and health tourism* The position Agriculture *Natural Resources* Cross-border cooperation Decentralization and regionalization Agribusiness	T The economic crisis Unstable policy Large population migrations from the countryside Great Migrations staff Inadequate policies reg. development The lack of a national strategy Inconsistency strategy on attitudes. level Inconsistency development policies

Source: Local strategy Plan

To the potential of this tourist destination could use and with minimal investment, it is necessary to examine and identify development opportunities, as well as the amount of investment in some directions in Gamzigrad spa.

Given that Gamzigrad spa falls under Zajecar district of Eastern Serbia (Fig. 1), Table 2 shows the general SWOT analysis of strengths, weaknesses, opportunities and threats for Zajecar district. It can be clearly seen that the spa and health tourism is an opportunity for development, while tourism potential and thermal springs are developmental force Zajecar districts. The use of geothermal resources of Gamzigrad have heating purposes Rehabilitation Institute to enable stimulate the energy increase of efficiency, and reduction of harmful gases released into the atmosphere by burning fossil fuels. Better heating of the building can attract consumers to come, because they would have better accommodation. Therefore, more consumers, would contribute to greater economic benefits. Introduction of wellness programs, as a special center will be good for Gamzigrad (hereinafter: Gamzigradska banja spa). Wellness is a term that first appeared in 1654 in the monograph by Sir A. Johnson as “wellness” in the dictionary Oxford Dictionary spelled “good health” (http://hr.wikipedia.org/wiki/Wellness). Based on the factors listed in the SWOT analysis, could be conceived program orientation to the strategy of development of spa tourism, which includes the following activities (Jovicic, 2008):

1. Develop a strategy with short- and long-term plans in cooperation with the Ministries Support the development of spa tourism;
2. Determine which market should turn;
3. Study and accept the principles of wellness and support private initiatives to Wellness in the creation of partnerships;
4. Implement education and training-Wellbeing Spa management development of branding, marketing and sales experience.

Sustainability of tourism in Serbia based on the current state

In addition to previously shown characteristics of the spas in Serbia, in order to get a clear picture of sustainability of tourism in Serbia, this Paper deals with cultural indicators. They are one of five groups of comparative indicators of sustainable tourism defined by the EU expert team. Besides the cultural indicators, the analysis involves economic, social and the environment indicators, as well as the level of how much tourists are satisfied. Cultural indicators show the level of the local population identity preservation being affected by tourists from regions with different cultural characteristics. This group of indicators includes the relation of accommodation capacities and number of local inhabitants and intensity of tourism (Bajic - Brkovic, 2010).

The relation of the accommodation capacities and number of local inhabitants is the indicator of cultural influence on the look of the touurist destination and requirements for necessary infrastructure which affects the community budget. The intensity of tourism shows the level of the culture saturation of the area. This indicator of sustainable tourism could be the most appropriate if, besides the number of stationed tourists, the number of excursionists, which is not registered, were taken into consideration (Stojanović, 2006). One of the reasons why the number of spa visitors is increasing is the fact that there are more and more inhabitants of old age. On the basis of the recent years statistical data, some of the spas in Serbia have been awarded the status of towns. Commercializing the functions with primary role of treatment, rehabilitation and recreation, the spas in Serbia have been demographicaly and economically developing, experiencing at the same time intensive urbanization. In the net-hierarchal structure of settlements in central Serbia, some of the spas represent the centers of the local significance of different functional rank, such as the municipality center (Vrnjacka spa, Niska spa and Sokobanja spa) and smaller places functionally complementary with the municipality center (Vranjska spa, Josanicka spa, Sijarinska spa, Koviljaca spa, etc. (Stamenkovic, Gataric, Martinovic, 2006).

Cultural indicators of tourism sustainability have been determined for spas as town settlements, however tourist resorts that do not have the status of tourist settlements should be taken into consideration as well. This invlolves the following spas: Vrujci spa, Bukovicka spa which is located on the urban teritory of the town of

Arandjelovac, Gornjotrepcanska banja in the village of Gornja Trepca near the town of Cacak, and Bogutovacka spa near the village of Bogutovac in the valley of the river Ibar (Stamenkovic, Gataric, Martinovic, 2006). Although the number of old people, which is a negative factor of demographic transitions, is constantly increasing, the number of people who stay temporarily, as guests, or live permanently, as residents, in the spas is also going up. That is why we can consider it a positive demographic transition in spas which causes population and economic growth and development (Djurdjev, Kosic, Dragin, 2007).

Though the depopulation process has been registered in Serbia, some spas attract more and more guests. However, in the last few years, the trend of decreasing number of beds in Serbian spas has been registered due to property transformation and transfer to forms of private property. The accomodation capacities in the spas have been significantly reduced. This is the result of extremely unfavourable political and socio-economic relations (interest of the socio-political community, financial conditions, statistical survey of beds, Maćejka, 2003). Due to the fact that there is no intensive construction of tourist structures, the relation between accomodation capacities and number of local inhabitants in majority of spas in Serbia is favourable. The exceptions are the spas Gornja Trepca spa, Prolom spa, Sokobanja spa and Sijarinska spa in which there is a distinguishing difference between the accomodation capacities and number of guests. Naimely, there is a larger number of guests in these spas than the number of accomodation capacities.

In Prolom spa renting rooms in private houses has had a long tradition and almost all resided households do it. It provides them a significant source of income. In the structure of accomodation capaciites in Sokobanja spa, complementary accomodation capacities dominate, making some 90% of total number of capacities. Local tourist organizations operate with numbers much greater than official statistics for the whole reception, especially when it is about private accomodation. There are, for example, about 11.000 beds in Sokobanja spa, while in Vrnjacka spa, there are some 12.000 beds in private houses. In the functional structure of tourist resource basis in the spas, accomodation-catering industry structures distinguish. The look of the spa settlement changes although 'wild' construction had been present long before urban regulations were made (Vukoicic, 2008.).

If the analysis of the relation between the accomodation capacities and number of inhabitants included data from inofficial statistics, some spas in Serbia would have more distinguishing indicator of culture influence referring to the look of the resort itself and needs for necessary infrastructure. Analyses of the number of inhabitants in the last couple of years show that that number has not been significantly changed except in Bogutovacka spa, Gamzigradska banja spa and Sijarinska spa, in which it has been particularly reduced. The oscilations in the number of night stays are more prominent in larger spas in Serbia when it is about reduction of this indicator of tourism development.

Exquisite intensity of tourism, as indicator of cultural saturation, reflects negatively on the local environment. The problems arise about where to put the limit between tourist and general arrangement of the place necessary for the local population. The intensity of tourism in spas in Serbia points to very unfavourable situation since in the last years the obtained results have been in the red zone. The most unfavourable situation is in Prolom spa, Kursumlijska spa and Gornja Trepca spa, the state caused by a small number of local inhabitants, from one side, and relatively great number of night stays, on the other side. The cultural identity in the spas of Serbia has not been seriously damaged since it is mainly about differences in culture of guests coming from rural and urban areas. Urban expansion causes urban saturation, so that a significant number of structures in the spas is not in accordance with traditional architecture and, thus, endangers enviromental wholeness. Saturation means a disorder in the environment, ecological characteristics of certain area and anthropogenic values originated due to exceeding capacities. Regardless limits, each tourist area starts its development risking possible saturation. The lesser risk, the more anticipation of the future, more exact knowledge on limits of allowed development. Parallelly with the process of urbanisation, the number of inhabitants in a tourist destination grows, therefore, it is necessary to have good plans of tourism development and, in that way, evade undesirable consequences of saturation of the area in a local community (Sofield, 2003.).

When it is about planning in tourism, three principles should be taken into consideration. One of the principles in planning tourism on the local level are physical and visual or esthetic look of the location; it means that people should not build inappropriate structures and conduct unacceprtible activities. Stated measures involve the need to make an estimation of private capacities, regarding physical, social and economic conditions. The second principle refers to development of tourism based on possibilities for tourism defined by residental population. The third principle means that the development of tourism should be in accordance with plans of development of non-touristic activities (Richins, 2000). Regarding the stated principles in planning tourism on the local level, some negative consequences of saturation in the spas can be solved. In analyses of development of tourism in spas in future, what should be determined is the carrying capacity, so that it could be possible to determine the limits of allowed development. Comparative indicators or indicators of sustainable tourism in the EU provides a solid base for determining the sustainability level of development of tourism in definite tourist destinations. The results obtained by analysing cultural indicators of tourism sustainability of the Serbian spas partly satisfy the criteria of sustainable tourism prescribed by the EU experts. The relation between accomodation capacities and number of local inhabitants in the majority of spas can be defined as favourable (green zone) since it is not about intensive tourist construction. The exceptions are Gornja Trepca spa, Prolom spa, Sokobanja spa and Sijarinska spa.

However, the intensity of tourism or number of night stays, expressed in thousands, in relation to the number of inhabitants, expressed in hundreds, in spas of Serbia points to a very unfavourable situation since the obtained results in all investigated years were in the red zone. The most unfavourable situation is in Prolom spa, Kursumlijska spa and Gornja Trepca spa, the fact caused by a small number of local inhabitants, on one side, and relatively great number of night stays, on the other side. The next phase of development of spa tourism should involve the strategy based on definite instruments, measures and local initiative.

Due to spontaneous development of tourism in some spas in Serbia, it is necessary to encourage not only those who can achieve modern standards and quality in treatment, accomodation and other tourist activities but others as well. Those spas in Serbia, which will, through plan documents, involve their natural and cultural inheritance and which will adapt their offer to the needs of tourists and local population, have greater chances to develop. Quality and quantity of services in private sector depend on the level of education of the local population who is the main subject in offering this kind of tourist services.

That is why it is necessary to take measures such as stimulating various forms of private sector improvement, education, connecting private sector with commercial catering industry and tourist agencies. It is necessary to make the offer of the spa tourism in Serbia diversified by involving activities attracting various clientele. Infrastructure is imposed as a priority since ’wild’ and excessive construction is not a good solution for including private sector in development of spas in Serbia. Cultural indicators of tourism sustainability are subjected to changes which depend on the situation on the tourist market. There are also some problems regarding the exploitation of capacities, average stay of tourists, as well as the season. New elements of tourist arrangement should be involved gradually and parallelly with renewing already existing facilities, taking into consideration existing urban regulation. The level of attractiveness of the area values can be improved by preserving identity of spas in Serbia. The way of building structures should be in accordance to the environment, so that the spas could develop in in-advance-defined direction and obtain definite character. To get a clear picture of the spa tourism in Serbia, we should say something more about the hospitality industry in Serbia.

Hospitality Industry in Serbia and Perspectives of Tourism in Serbia

On the basis of the estimation of the natural and anthropogenic resources which Serbia disposes of, including also human resources as the element of services offer, Serbia has real perspective chances to develop tourism, and hospitality industry, as a very important component of tourism. Certain conditions, particularly in economic-legal and managment-organizational domain are necessary to create a favourable environment for further investments in hospitality industry and whole tourism and its future development. Such investments should involve direct investments into hotels and other structures of tourist industry, as well as investment into getting knowledge and permanent education of the employees, then into research-developing projects, business connection of enterprises, organized enterprise marketing activities, organization and destination and other domains which will maximaze orientation to customers from Serbia and abroad and their requirements in the future.

On the tourist market, demands are changing and structurally adjusting to all significant economic, demographic, political and other tendencies. Realizers of travels, such as touroperators, airline and other transport companies, national and local tourist organizations and many others, adjust quickly and permanently to the changes of demands. Those adjustments have to involve current and developing policy in hospitality industry of each area tending to achieve success on tourist market. The strategy of the development of tourism in Serbia determined basic directions and range of development of hospitality industry up to 2015 (the Ministry of Trade, Tourism and Services, 2005/06). It is connected to possible scenario od development and previously defined tourist products with which Serbia can realize stated chances in tourism. The Strategy also defines the action plan for increasing competence of Serbian tourism, and in a significant measure involves necessary activities of the accomodation offer in hotels and elsewhere. Those activities include rehabilitation, renewing and modernization of existing capacities, new investment projects (greenfield projects), programmes of making the system of categorization and quality based on standards of accomodation and alike services (including introduction of new activities and structures, such as eco and ethno-houses, hostels, boutiques in hotels, etc.); programmes of additional offer which will complementarily follow accomodation capacities; improvement of cooperation and process of associating and business connection within the accomodation sector, with special emphasise on both mutual cooperation within the hospitality industry, in which the process of privatization is to be completed soon, and cooperation with public sector and its representatives (Cacic, 2015). During the years 2006 and 2007, strategic commitments were turned into elaboration of 11 business master plans for definite destinations or areas by using the finances of the National Investment Plan.

Those master plans, among all, thoroughly elaborate the development of hospitality industry in future and estimate the range of necessary investments of new or renewed capacities that those investments will make, and point to the type of hotels that should be built in accordance with demands of the market, that is, in accordance to the tourist products of the destination defined by the Strategy (town councils, business tourism, mountains and lakes, rural tourism, tourism of special interests, etc.). There are numerous spa and other destinations with good-quality resources and other conditions for further development. The same processes of development in the following years will take place in them.

Anyhow, regardless the fact whether master plans and other documents of development have been already worked out or they will be in future, the answers to at least two questions will be crucial for each investor and initiator of development in these spheres: firstly, what new or already existing, but modernized, to offer as new hotel and accompanying activity, and, secondly, how to organize activities in enterprises and destinations and conduct development. As far as the former concerned, it is necessary to estimate both domestic and international market and market demands, or possibilities by which additional value for consumers will be achieved and, in that way, make them loyal guests that will visit the destination again. It means that hotels and activities in them have to be precisely ’addressed’ to certain segments of guests and efficiently adjusted to other tourist contents of the same quality in a certain destination. The contents based on the demands of the customers themselves and the economic racio should determine the capacity of a structure and its performances.

As far as the latter is concerned, it is essential to provide not only professional and efficient management, but also the whole personnel in an enterprise or destination, who are able to create appropriate environment for guets and offer them the feeling of additional value. This requires knowing relevant techniques and organization of menagement, that is, managing both total business and all modern business processes on the market (Ratkovic, 2007). We should count on such innovations in the following period. Foreign investors and other partners will bring innovations, and that is why it is extremely important for all managers and employees to be educated, so that they could readily react to the market requirements and provide competence of Serbian hospitality industry and tourism as a whole in the region and abroad. Developing activities are a part of the Action Plan for Improving Competition in the Strategy of Tourism Development in Serbia. The issue ’what to build’ and ’how to organize activities and managing’ is going to be present in several streams of development in future. Each of them will involve complex relations and procedures on which the realization of strategic aims of tourism in Serbia will significatly depend. Three such streams are quite certain and they will crucially orient further development. The first refers to entry of foreign companies and organizations on both hotel and whole tourist market of Serbia. They could be either interested investors, through greenfield projects or acquisition and common investment, or to offer some of contracted forms, such as franchizing, contract on menagment, by which they will ensure their own growth and development and enable more efficient business operations of our enterprises and destinations in the country and abroad. We are not to expect only great hotel corporations and the best-known world brends but also those who belong to the group of less-known but strong companies with developed international business and good market pozitions, as well as those with mainly standardized distinguishable structures of certain contents inteded to known target groups of guests. This is proved by experience of other tranzitional countries in Europe. In the mid 90s of the last century, it was observed that foreign investors and other partners tended to orient primarily to big cities as business, administrative and cultural centres and that they followed the streams of those segments, for example, business travellers, whom they primarily offered their services.

It is useful to remind that great hotel companies use largely the strategy of brand. That is how the strategy of international brand differs from the strategy of national brand. The former is used by the hotel companies characterized by high quality of services, and the point is that they do not significantly break into the market of a certain country, they cover the market through involving a larger number of countries instead of having a larger number of structures in a certain country. The strategy of a national brand is more oriented to the guests with medium and low incomes, and is used by the hotel companies which wish to attract attention of tourists in other countries. This is how it is broken onto the market of a certain country much deeper. Therefore, hotel companies in their growth and development use the strategy of brand in the following way: the strategy of a national brand ensures presence in a less number of countries with more units, while the strategy of international brand ensures presence in a larger number of countries with smaller number of units (Cacic, 1998.)

The second stream will involve completion of the process of privatization and restructuration in hospitality industry in Serbia (Barjaktarovic, 2008). This will make conditions for new investments and necessary changes in accordance with requirements on the market. Privatization is an additional opportunity for foreign partners to come, especially through the form of acquisition and merging, then through common investments, etc.

It is also a chence for the first strong national hotel chains which, independently from foreign partners, can create and develop hotel brands. The type and purpose of the hotel and its content should not be determined by intuition, faddiness and similar non-economical initiations but by exclusively selective market criteria and economic factors.

The success in business of privatized enterprises in hospitality industry in the following period will be determined by general environment in the whole economic and tourist system in Serbia and adequate orientation and behaviour of new owners in relation to investment in development, social programmes and other significant areas of property transformations.

The third stream will determine the position of autonomous private sector which has been present in the hospitality industry in Serbia for a few years and whose further expansion can be expected in future. It is primarily about small and then medium family enterprises. They are flexible and their structures are suitable for completion of accomodation offer in all touristic products in Serbia defined by the Strategy.

Due to its characteristics, they can present very successfully the destination and specific values of the area, its architecture, national food, tradition, and through various original contents in hotels, significantly enrich accomodation and complete tourist offer.

Hotels and other enterprises with accomodation capacities should be supported by public sector and large companies in the destination itself on all levels. Experience of numerous countries with developed tourism shows that, by measures of economic policy, family enterprises can efficially be supported and helped in development and business, and this is then one of the backings for the whole accomodation offer in the country. It is also realistic to expect that these enterprises can gradually appear and strenghten the processes of business connecting, primarily those related to bookings and other domains of selling, then promotion, exchange and professional improvement of the employees, and other activities.

It is possible for these enterprises to be connected into consortiums or chains and, thus, make a chance for themselves for more intensive and successful presence on both domestic and international market, as well as for competition with large companies in hospitality industry and tourism. Serbia is oriented to significantly faster and complete development of tourism in future years. Appropriate strategy has been adopted and thus, the tasks in this domain determined. It is quite real that conducting strategic orientations will require numerous activities in which it is important to evaluate correctly appropriate tendencies and relations among partcipants. It is especially important to provide adequate managing approach which means permanent adjustment to existing accomodation offer and new investments into hospitality industry and the whole tourism in Serbia in the following years.

Conclusion

The answer to the question, how to minimize the negative effects of tourism development in Serbia, while retaining the positive ones, could be “to look into the possibilities of sustainable tourism development”. Today, sustainable development is one of the most acceptable, however, and most controversial approaches to management of tourist destinations. Sustainable tourism can be seen as the ultimate goal, which can not be fully achieved in practice (Ilic at al., 2012).

Although there is still no single definition of sustainable tourism, it can be said that this term implies a business that contributes to the protection of the environment, social and economic integrity and improving natural, created and cultural values on an ongoing basis “(http://www.lovetravel.rs / green-planet / sustainable-development-tourism).

To reach the level of development of European spas is necessary foe Serbia to highlight the specifics of individual spa resorts such as medical-health area, tourist facilities, etc., strengthen the Wellness program content as spa resorts, to educate all employees, starting from the top management, to medium and lower-level employees. The main tasks of the state are to support the development of the concept of public-private partnerships, then the cooperation and coordination with various stakeholders, such as government and parastatal bodies, associations, tourism and other businesses.

Spa centers should of course be a main part for marketing presentations, as well as the prominence of the most important tourist potential in the destination. Priority of Serbia should be a clear demarcation of those spa tourist destination that can successfully qualify for the foreign tourist market, from those who are predominantly oriented towards the domestic market. In other words, it is necessary to build the brand of Serbian spa tourism.

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MODERN DISTRIBUTION AND DEVELOPMENT OF HOTEL INDUSTRY IN THE WORLD

Abstract

Global changes in the economy and society, which started in the last decades of the XX century, affected the changes in the hotel industry. These hotel industry changes are in a certain way more distinct than changes in other industries. As the main tourist activity, hotel industry displays all current changes in the tourism industry in the best way. The permanent growth of global tourism directly affects the fast development and dispersion of the hotel industry. The increased demand for hotel services and global economic development influenced changes in the hotel industry and creation of hotel chains on the global level. These hotel chains occupy a large percentage of the world hotel capacities and possess great financial power. One of their fundamental values is reflected in the fact that the inclusion of small hotels into their systems includes a whole range of supporting companies, thus improving the economy at the local level.

Key words: *Hotel industry, globalization, tourism, development, hotel chains*

JEL classification: L8

САВРЕМЕНИ РАЗМЕШТАЈ И РАЗВОЈ ХОТЕЛСКЕ ИНДУСТРИЈЕ У СВЕТУ

Апстракт

Глобалне промене у привреди и друштву, започете последњих деценија XX века, утицале су и на измене пословања у хотелијерству. Ове промене су у извесном смислу изразитије него у другим привредним гранама. Као основна туристичка делатност, хотелијерство најбоље приказује све актуелне промене у туризму. Перманентни раст светске туристичке привреде непосредно утиче и на убрзани развој и дисперзију хотелске индустрије. Повећана тражња за хотелским услугама и општи привредни развој, утицали су на измене у хотелском пословању и стварању хотелских ланаца, на глобалном нивоу. Ови хотелски ланци поседују велики проценат укупних хотелских капацитета, располажу великом финансијском моћи, а једна од њихових основних вредности огледа се и у чињеници да укључивањем мањих хотела у своје системе, укључују и читав низ пратећих предузећа, чиме унапређују привреду на локалном нивоу.

Кључне речи: *Хотелијерство, глобализација, туризам, развој, хотелски ланци*

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Introduction

The hotel industry is an economic activity within the hospitality industry, which combines spatial and functional accommodation services with the services of nutrition, including related services. It is often said that the hotel industry is a representative catering activity because it is specific for its spatial, technical and technological, organizational and personnel capabilities, which allows achieving full catering service of accommodation, food and beverage within one unit. The basic unit of hotel are hotels, as the best known and most widely spread facilities for providing accommodation, with particularly high quality of accommodation services, personnel and space decoration as well as meeting the demands of modern travelers.

In order to single out the hotel as a special kind of hospitality facility for accommodation and differentiate it from other objects which provide the same type of service, the International Association of hotel owners in 1926 decided on the minimum common characteristics of each object which is likely to be called hotel. These common features refer to: organization and management in the function of high-quality accommodation services, accommodation and food as main activities, architecture, interior and exterior decoration, particular sanitary and hygienic safety and fire protection, room decoration, with the existence of an appropriate number of common areas and sanitary facilities outside commercial rooms, adequate room area and furnishing, clerical and technical staff, kitchen blocks equipped according to modern technical and sanitary standards and so on (Bardi, 2011).

Historical development of hotel industry

The history of the founders of the hotel industry shows that some of the most influential people in the field of hotel industry such as the Statler, Hilton, Marriott and Wilson introduced innovations in hotels, shaped and laid the foundations of the modern hotel industry.

Ellsworth Statler developed a hotel chain “Stalters”, starting with the hotel in Buffalo in New York State in the United States. Conrad Hilton became a successful hotelier after the Second World War when he bought several farms in Texas during the expansion of the oil industry in the region. By purchasing the “Stalters” chain in 1954, Hilton created the first great modern American hotel chain – a hotel group that monitors standardized operating procedures, marketing, reservations, quality of service, food and beverages, technical maintenance and accounting. Hilton Hotels today include “Hilton Garden” and “Hampton”, “Embassy” apartments, “Red Line” hotels and inns, “Harrison” conference centre and so on.

Cesar Ritz was a hotelier in the Grand National Hotel Lucerne, Switzerland. Thanks to his leadership skills, the hotel became one of the most popular in Europe, and Cesar Ritz became one of the most respected hoteliers. William Waldorf Astor opened thirteen-storey “Waldorf Hotel” on Fifth Avenue in New York in 1893. This hotel was the realization of his vision of the hospitality industry in New York that would complement his rich friends, by combining the grandeur of European palaces with the warmth and comfort of private apartments. Four years later, Waldorf hotel joined seventeen-storey hotel “Astoria”, which was built in the vicinity by Waldorf’s cousin John Jacob Astor IV, as well as a corridor to connect the two hotels. These hotels became known as the “Waldorf - Astoria” (Bardi, 2011).

Kemons Wilson founded the hotel chain “Holiday Inn” in the early 1950s, in Memphis in the United States. His idea was to build a chain of hotels for families travelling, and later expanded its offer on business travellers. John Willard Marriott founded the hotel chain “Marriott International” in 1957, near Washington. Ernest Henderson and Robert Moore founded the hotel chain “Sheraton” in 1937 in Massachusetts.

Innovations in the hotel industry happened constantly, all for the purpose of attracting more visitors and keeping up with the competition. The idea of a central open space, the atrium, was revolutionary, because all the rooms, from all the floors, could have a view of the lobby on the ground floor. This concept in hotel architecture was first implemented in 1967 at the “Hyatt Regency” in Atlanta, based on the idea of the architect John Portman (www.portmanusa.com). With such innovations, hotels were not only just places to rest, but the capital of entertainment, leisure and events.

In the early 1980s, big hotel chains adopted the concept of selective service, which was faced towards serving business travellers and travellers on a budget. “Hampton Inn” revolutionized the hotel industry as the first brand to promote the selective service, in hotels with comfortable rooms, but with reduced services characteristic of the hotels at that period (restaurants, lounges, meeting rooms and lobby), which led to cost savings for guests in the form of lower prices.

The development of technology has played a major role in the development of products and services offered to guests. Starting from the central heating system, lifts and electric lighting, which first appeared in hotels at the end of the nineteenth century, over the room telephone and radio, air conditioning, television, computers, to the most modern offer of the most advanced technologies such as wireless and IT infrastructure in rooms.

Contemporary trends in hotel chain business in the world

Hotel industry, as well as tourism in general, from its beginnings until today, has never been more dynamic. Modern technologies, smart phones, social networks, the Internet, the availability of large quantities of information everywhere and at all times, have influenced numerous changes in the hotel business in recent years and this trend is continuing rapidly. In addition to the progress of technology and its direct impact on the hotel business, there is their indirect impact on the hotel business over tourists, the users of hotel services that are changing their habits and have new needs.

In the modern hotel business we should first of all mention the way of branding a hotel, which can be of national and international character. In the strategy of the international hotel branding, the emphasis is primarily placed on the choice of a good hotel location in foreign countries, and the foreign, not domestic clientele. Also, the accent is not on a particular country through the construction of a large number of hotels, but on the expansion of the hotel network in as many countries as possible. Branding of international hotels is performed almost exclusively by large hotel chains through the construction of high-class hotels.

Branding national hotel chains is mainly based on the construction of hotels of medium and low categories, with the emphasis on the domestic market of the country where the hotel is located. Although it seems that operating national hotel chains is simpler, its business strategy requires a far better understanding of economics and the business of each of the countries where the chain has a hotel (Čačić, 1998).

Depending on the mode of operation and organization, hotel chains are divided into three types: corporate chains, management companies and voluntary chains (consortia) (Čačić, 2010).

Corporate chains are identified by a strong, defined and recognizable trademark. They are recognized in the market in terms of quality, price, service and other features characteristic of a particular hotel chain. The main objective of corporate chains is greater diversification and more successful positioning in the market. By creating numerous brands within the hotel chain, corporate chains achieve high market coverage.

Management companies specialize in the management of hotel chains, brands and independent hotels. These companies do not manage hotels "on the side", but usually have shares in the hotels they manage. Management companies usually retain the name and seat in the founding countries even after their sale to other companies. This type of hotel chains has the greatest tendency toward global business and often overlaps with the business systems of corporate chains (Table 1.).

Table 1. The largest management companies in the world in 2013.

No.	Hotel chain	Country	Hotels managed
1.	Home Inns & Hotels Management	China	1308
2.	Plateno Hotels Group	China	1217
3.	Marriott International	USA	1018
4.	Accor	France	787
5.	IHG	United Kingdom	689
6.	China Lodging Group	China	565
7.	Starwood Hotels & Resorts Worldwide	USA	563
8.	Westmont Hospitality Group	USA	515
9.	Hilton Worldwide	USA	498
10.	Shanghai Jin Jiang International Hotel Group Co.	China	480

Source: www.hotelsmag.com

Voluntary chains or consortia provide marketing and reservation services for independent hotels and corporate chains, mainly for those of national character. Common reservation systems are created, without the presence of a hotel chain in a particular market. Hotels involved in consortia retain ownership, but are required to accept the standards of marketing companies, to train employees and so on. When a hotel reaches a certain level of business, there might be a change in ownership (Table 2.).

Table 2. The largest consortia in the world in 2013.

No.	Hotel chain	Country	No. of rooms
1.	Hotusa Hotels	Spain	235,000
2.	Best Eurasian Hotels	Russia	183,200
3.	Preferred Hotel Group	USA	173,966
4.	Associated Luxury Hotels International	USA	119,644
5.	Worldhotels	Germany	102,543
6.	InnDependent Boutique Collection Hotels	USA	102,185
7.	Global Hotel Alliance	Switzerland	100,000
8.	Supranational Hotels	Great Britain	85,243
9.	Sceptre Hospitality Resources	USA	81,997
10.	The Leading Hotels of the World	USA	63,387

Source: www.hotelsmag.com

The use of modern technology is one of the most important factors of dynamic changes in the modern hotel industry. According to the estimated data, during 2013, more than one fifth of nights was due to online bookings. Also, over one-half of nights was reserved in direct contact of guests with the hotel, without any mediation.

Year after year the population of the upper middle class in China is growing, who, according to the research by AT Kearney, are the most active travelers. They are primarily interested in traveling by themselves, without tourist agencies, booking hotel rooms usually via the Internet (58% of passengers) or in direct contact with hotels (28%). This method is more complicated for hoteliers, but taking into account that this is a clientele of good payment ability who likes to travel, the interest is to attract as many tourists as possible (Goh et al., 2013).

The largest application of modern technologies is related to the younger contingent of passengers. Tourists born between 1980 and 2000 (popularly called Generation Y or Millennials) represent the most dynamic segment of the society, whose demands are hardest to follow, but are also impossible to put aside. This segment of the population still has a lot of free time (40% of Gen Y do not have full-time jobs), loves to travel, they are curious, globally oriented, and in 5 to 10 years will be a part of the society that spends the most on tourist trips (Global hospitality insights, 2013). Unlike previous generations, who travelled and resided in hotels, and their impressions passed on only to friends and relatives, Millennials send their impressions instantly around the world, through social networks, which can be the most effective advertising, but can also be negative advertising. Therefore, photos and websites themselves are not even nearly as important to potential guests as visitors' reviews are. Also, taught to constantly be on the move, Generation Y plans their trips quickly, so last minute deals have become part of everyday life, which may pose problems for hotel managers. Finally, hoteliers are forced to adapt to new trends, and new hotels, turned to the needs of new generations, are trying to offer what modern clientele is seeking (smaller and cheaper rooms, free Wi-Fi, etc.) (Global hospitality insights, 2013). New analyzes of leading tourism websites, indicate increased demand for hotel reservations through the Internet. According to demand of tourist products, hotel reservations are on second place, just behind the airplane tickets, and front of a rent-a-car, cruises reservations etc. (Šušić & Đorđević, 2011).

Also, the very structure of hotels is changing from year to year. The modern hotel industry is characterized by a higher share of small and medium size hotels (Mastura et al., 2010). One of the problems that characterizes contemporary hotel business is the number of employees in hotels. Hotel owners are trying to have fewer employees, to reduce costs and maximize their own profit, while at the same time trying to attract more visitors and fight growing competition. On the other hand, overloaded workforce eventually gives diminishing results, which negatively affects the quality of hotel business. The largest number of staff in the world, in relation to the number of rooms is in Indian hotels and is 1.6, although this ratio in four-star hotels is 1.8. The reason for such high employment levels is primarily a hotel owners wish to maximize the capacity of the hotel (Indian Hotel Industry Survey, 2011).

The spatial distribution of hotel chains in the world

The spatial development of the hotel industry has gone through four phases. The first stage was the longest, when the hotel industry was facing only the domestic market. The second stage is the beginning of the internationalization of the hotel industry, through the establishment of branches outside their own countries. Achieving success abroad leads to the third stage, when hoteliers joined other tourism and hospitality businesses, for the purpose of more complex supply. The last phase is of global character, when the whole planet is viewed as a potential market, and a hotel chain largely manages to implement the defined standards in all its facilities worldwide (Svorcan, 2008).

Factors that have led to the development of international hotel chains were of external and internal type. External factors are related to the increasing demand for hotel services on the global level, as well as the need to accelerate economic development in certain areas. Internal factors are mainly related to the market and organizational aspect of the business. The market aspect is primarily meant guaranteed service quality, while the other implied creating a new organizational structure, due to the expansion in the international market and the increase of hotel services (Radosavljević, 2008).

Modern hotel chains have a tendency towards constant expansion, the expansion including not only quantitative, but also qualitative increase, in terms of greater diversity of supply. It is therefore considered that it is not enough to make a hotel whose clientele will be, for example, business people, but it is necessary to make more hotels according to payment possibilities of these business people. In this way, all market segments are covered and each provides exactly the kind of service you expect, or can pay for. One concrete example is the “Hualuxe Hotels and Resorts”, as part of IHG hotel chain, which is primarily intended for the Chinese clientele (www.ihgplc.com). IHG is the brand founded in March 2012 in order to attract guests of rapidly growing Chinese tourism market. Hualuxe hotels also offer traditional Chinese hospitality and high international hotel standards tailored to Chinese needs. To begin with, the hotels of this brand are built only in China, but there are plans to expand to all areas where there are Chinese travellers.

The expansion of modern hotel business is characterized primarily by creating new brands, within existing corporate chains, thus covering all market segments. The five largest hotel chains own 66 hotel brands, all in order to meet market needs.

Therefore, IHG owns nine hotel brands, "Choice Hotels International," eleven brands, "Hilton Worlwide" ten, "Wyndham Hotel Group" seventeen, a "Marriott International" even nineteen hotel brands (Mašić, 2013).

The newly created brands remain attached to the name of the chain, thus advertising the type and quality of service that customers associate with the name of the hotel chain. The expansion of hotel chains in the modern world is a very dynamic phenomenon, not only manifested through the construction of new hotels, but very often through mergers, purchases, acquisitions, franchising, etc. The most dynamic period was between 1995 and 2005, when it recorded an increase in the number of hotel rooms of about 85% (Table 3.). The fastest growth in this period was achieved by economy hotels, especially "Holiday Inn Express", which over 10 years increased by more than 100,000 rooms, which accounted for 60% growth of IHG chain, to which it belongs (www.hospitalitynet.org).

Perhaps the best example of the expansion in the hotel industry is seen on the example of the IHG hotel chain. First, the British brewing company Bass bought the hotel chain "Holiday Inn", and in 1999 ceased to be engaged in the production of beer and changed the name of the hotel chain to "Six Continents". Four years later, "Inter Continental Hotels Group" (IHG) was separated from this chain, with brands such as "Holiday Inn", "Holiday Inn Express", "Inter Continental", "Crown Plaza", "Staybridge Suites ", and through the purchase of " Candlewood Suites " reached number one in the world in 2004, where it is still today (Radosavljević, 2008).

Table 3. The largest hotel chains in the world in 2013.

No.	Hotel chain	Country	No. of rooms	No. of hotels
1.	IHG (InterContinental Hotels Group)	Great Britan	679,050	4,653
2.	Hilton Worldwide	USA	678,630	4,115
3.	Marriott International	USA	675,623	3,916
4.	Wyndham Hotel Group	USA	645,423	7,485
5.	Choice Hotels International	USA	506,058	6,340
6.	Accor	France	461,719	3,576
7.	Starwood Hotels & Resorts Worldwide	USA	346,819	1,175
8.	Best Western International	USA	317,838	4,097
9.	Home Inns & Hotels Management	China	262,321	2,241
10.	Shanghai Jin Jiang International Hotel Group Co.	China	235,461	1,566

Source: www.hotelsmag.com

Although the growth of hotel industry is constant and powerful, it is not the result of large investments in building new facilities, but is primarily based on the franchise and management agreements. The largest funds are invested into strengthening and renovating the existing facilities, as well as into positioning hotel brands in the international market.

Table 4. The most successful hotel chains according to franchise sale in 2013 .

No.	Hotel chain	Country	No. of sold franchise
1.	Wyndham Hotel Group	USA	7,425
2.	Choice Hotels International	USA	6,340
3.	IHG	Great Britain	3,955
4.	Hilton Worldwide	USA	3,420
5.	Marriott International	USA	2,672
6.	Magnuson Hotels	USA	1,865
7.	Accor	France	1,402
8.	Home Inns & Hotels Management	China	1,365
9.	GreenTree Inns Hotel Management Group	China	1,171
10.	Vantage Hospitality Group	USA	1,102

Source: www.hotelsmag.com

Hotel franchising is becoming more and more popular form of expansion of hotel chains, especially when it comes to big and still insufficiently conquered markets, such as India and China. Franchising in the hospitality industry began in the 1960s, with the expansion of the hotel chain "Holiday Inn", and later other hotel brands (Table 4.). The hotel industry of China is the fastest growing industry in the world. Of 137 hotels in 1978 (Xiao et al., 2008), the number of hotels increased to 18,437 in 2013 (www.statista.com).

Table 5. The largest hotel chains in Europe in 2014.

No.	Hotel chain	Country	No. of rooms
1.	Accor	France	262,634
2.	Best Western	USA	91,739
3.	IHG	Great Britain	88,209
4.	Groupe du Louvre	France	68,294
5.	Whitbread	Great Britain	53,313
6.	Carlson Rezidor	USA	52,091
7.	Hilton Worldwide	USA	49,758
8.	Melia Hotels International	Spain	49,464
9.	NH Hoteles	Spain	49,424
10.	Marriott International	USA	46,381

Source: www.hospitality-on.com

Although the hotel chains of the United States remain the largest, their role decreases year after year, whereas the British, Spanish, and in the last few years Chinese hotel chains continue to grow. Once powerful hotel chains in Germany and France have lost their supremacy, as well as the Japanese, which are turned towards the domestic market (Table 5.).

Until 2012, among the ten largest hotel chains, there weren't any from the Asian continent. However, starting from that year, Chinese hotel chains "Shanghai Jin Jiang International Hotels" and "Home Inns & Hotels Management", reached the ninth and tenth position, which continued to strengthen in the coming period. Changes in the global hotel business are also visible on the basis of the share of hotel chains in the world's total capacity (number of rooms), at the level of continents (according to the countries of origin of hotel chains). Thus, North American corporations recorded a decline in participation from 73.15% (1997) to 58.21% (2012), while European corporations grew by 5.69% and Asian by 9.11% (Mašić, 2013). This phenomenon talks about the opening of new markets and the imminent growth of the hotel industry.

By far the fastest growth of hotel industry is in China. This is an industry that is estimated at about 44 billion dollars, with 2.5 million hotel rooms. Opinions are divided on whether the hotel industry in China will continue its advances. According to some authors, China has no need for further increasing the number of rooms, at least not at the present pace. On the other hand, the number of hotel rooms per 1,000 inhabitants is only 4, compared to the UK with 10 and the USA with 20 rooms per 1,000 inhabitants. These data suggest that the Chinese hotel industry is likely to continue to grow and is expected to increase its capital value by $ 100 billion, and the number of rooms to 6.3 million. If the forecasts come true, the number of rooms per 1,000 inhabitants will be doubled (Goh et al., 2013).

Another curiosity is related to the hotel business in China. In fact, unlike other countries, where hotels are mostly privately owned, in China, according to data from 2004, over 53% of the total number of hotel rooms are owned by the state (Xiao et al., 2008).

The growth of the hotel industry has been permanent in the last two decades. Data show that from 1997 to 2012, the 300 largest corporate chains in the world recorded an average growth rate of 4.14% (Table 6.) (Mašić, 2013).

Table 6. The growth of the largest hotel chains in the period 1997 - 2012.

Hotel chain	No. of rooms in 1997	No. of rooms in 2012	Absolute growth	Relative growth
IntecontinentalHotels Group	465.643	675.982	210.339	45.2%
Marriott International	289.357	660.394	371.037	128.2%
Hilton Worldwide	155.943	652.957	497.014	318.7%
Wyndham HotelGroup	499.056	627.437	128.381	25.7%
Choice HotelsInternational	292.289	538.222	245.933	84.1%

Source: Mašić, 2013.

The future spatial development of the hospitality industry is difficult to follow, but some directions of development can be guessed. One of the important parameters is the GDP growth, and, on that basis, it can be assumed which countries of the world are seen as potential markets by the creators of the hotel business. Three countries stand out as the most promising areas for the development of the hotel industry: China, India and Russia (Developments and challenges in the hospitality and tourism sector, 2010). In the area of all three countries, the influence of global hotel chains, until 10 years ago, was insignificant. During the last decade, there have been significant changes in the structure, organization and spatial distribution of global hotel chains in these countries. Permanent GDP growth, characterizing these countries, places them in the first position in the world, China, in the second, Russia the eighth and India in the tenth place (www.imf.org). We should not neglect Brazil, as the seventh country in the world according to GDP growth, which, although having a long tradition of big hotel chains in the world, still has significant potential in terms of expanding the hotel business. It should also be noted that in the above-mentioned countries, there is a rapidly increasing percentage of the rich middle class, who travel a lot. This trend is reflected in the fact that the largest consumers in international tourism in 2013 were the Chinese with 128.6 billion dollars and annual consumption growth of close to 24%. Faster growth was recorded only by the residents of Russia (28.9%), which ranks fourth in the world, with the consumption of 53.5 billion dollars. Brazil occupies the tenth position in the international tourism expenditure with 25.1 billion and the increase of 12.9%. Other countries, which are among the top ten, the USA, Germany, UK, France, Canada and Australia, recorded growth in the range from 2% to 8%, with the exception of Italy, which recorded a decrease in consumption (Tourism Highlights, 2014).

Conclusion

Rapid changes and globalization of the world tourism market dictate trends that compel modern hotel industry to constantly adapt in order to maintain and take strategic positions in relation to their competition. Technology plays a major role in the development of hotel products and services offered to guests.

Global economic development and availability of all parts of the globe provide incentives for mass travel, which increases competition in the hotel business, as tourists can now use the services in any part of the world for the same price. Therefore, hotel management is forced to constantly meet the demands of consumers, predict their future needs, train and improve the supply and quality of services in order to attract and retain increasingly demanding customers and survive in the modern conditions of competition.

One of the most important characteristics of modern hotel business is related to business integration and connectivity, through the creation of powerful hotel chains and through the expansion over a large number of countries. From the very beginning of hotel chains, their expansion is evident, and according to current information, the growth of their activities will continue in the future.

Trends show that the independent hotel business is a too risky way of doing business, with data showing that an increasing number of individual hotels, one way or another, associate with a hotel chain, as the competition on the world market is extremely strong.

Therefore, it can be concluded that the modern hotel industry is going in the direction of further concentration of capital, greater expansion on the global market, especially in those areas that have a huge economic and demographic potential, such as China, India and Brazil.

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GMO- TWO DECADES AFTER THE FIRST COMMERCIALISATION

Abstract

Regarding transgenic plants growth and food derived from genetically modified organisms (GMO) there is a large disagreement about its environmental and health adverse effects as well as about socio-economic implications. In the spirit of the general debate which is not slowing down, in this work we have analysed some indicators and consequences of the transgenic technology diffusion. Our work showed that biotechnology industry successfully recovered from 2008 recession, even the industry for the first time operated without losses, Also, it has been shown that the economic crisis contributed to the further strengthening of the monopoly power of the biggest companies. Bearing in mind, technological underdevelopment as well as fact that small companies collapsed during the crisis it is clear that Serbia cannot compete with multinationals at the biotech market.

Key words*: transgenic plants, monopoly, recession*

JEL Classification: Q 18, G32, G10

ГМО- ДВЕ ДЕЦЕНИЈЕ НАКОН ПРВЕ КОМЕРЦИЈАЛИЗАЦИЈЕ

Апстракт

Постоји велико неслагање о економским, здравственим и друштвено-економским импликацијама узгоја трансгених биљака и хране проистекле од генетски модификованих организама (ГМО). У духу опште дебате, у овом раду смо анализирали одређене индикаторе и последице дифузије трансгене технологије. Показано је да се биотехнолошка индустрија успешно опоравила од рецесије, чак и да је по први пут пословала без губитака. Такође, показано је да је светска економска криза допринела даљем јачању монополских позиција највећих компанија. Имајући у виду технолошку неразвијеност, као и чињеницу да су мале компаније страдале у рецесији јасно је да Србија не може да конкурише мултинационалним компанијама на биотехнолошком тржишту.

Кључне речи: *трансгене биљке, монопол, рецесија*

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Introduction

Although a food obtained from genetically modified (GM) plants is already involved in a food market chain, public debate on the issue is not slowing down. There is a large disagreement about environmental and health adverse effects as well as about socio-economic implications. The key areas of controversy related to GM food are: risk of harm from GM food, whether GM food should be labelled, the role of government regulators, the effect of GM crops on the environment, the impact of GM crops for farmers including farmers in developing countries, the role of GM crops in the feeding growing world population, and GM crops as a part of the agribusiness (Brankov Papic & Lovre, 2013a).

From the very beginning this technology was launched under the slogan of reducing the number of hungry people worldwide. Still, advocates of GM technology retain this slogan, saying what had happened before placement of this technology and what will happen in the coming decades. Their arguments are: "Global population, which was only 1.7 billion at the turn of the century in 1900, is now 7.2 billion, expected to climb to 9.6 billion by 2050, and will be close to 11 billion at the end of this century in 2100. Globally, 870 million people are currently chronically hungry and 2 billion are malnourished. To-date, biotech cotton in developing countries such as China, India, Pakistan, Myanmar, Burkina Faso and South Africa has already made a significant contribution to the income of 16.5 million small resource-poor farmers in 2014" (James, 2014). The relevant information to and how this technology has so far contributed to poverty reduction cannot be found in the existing literature. Their comments are generalized, promising, optimistic but not real. In accordance with the advice of public relations industry they frequently used terms such as: "transparency", "profit sharing", "dialogue", "help farmer", "has the potential", "it will contribute" and so on (Brankov Papic, 2013a, p. 50). For instance, multinational companies have not yet commercialized Golden Rice they're talking about more than a decade. Golden Rice has the potential to provide beta carotene fortified carbohydrate staple in order to combat vitamin A deficiency (VAD), the leading cause of childhood blindness and inability of the immune systems to combat disease. **WHO reports in 2009 and 2012 that 190 to 250 million preschool children worldwide are still affected by VAD annually (http://whqlibdoc.who.int/publications/2009/9789241598019_eng.pdf , http://www.iapb.org/vision-2020/what-is-avoidable-blindness/vitamin-A).**

On the other side, critics accuse multinational corporations the producers of GM crops of attempt to impose "food totalitarianism" on the world. "We strongly object that the image of the poor and hungry from our countries is being used by giant multinational corporations to push a technology that is neither safe, environmentally friendly nor economically beneficial to us. We do not believe that such companies or gene technologies will help our farmers to produce the food that is needed in the 21st century. On the contrary, we think it will destroy the diversity, the local knowledge and the sustainable agricultural systems that our farmers have developed for millennia, and that it will thus undermine our capacity to feed ourselves" (Statement signed by 24 delegates from 18 African countries to the United Nations Food and Agricultural Organization in 1998) (http://www.globalresearch.ca/lies-and-fabrications-the-propaganda-campaign-in-support-of-genetically-modified-crops-gmo/5433062?print=1).

In the spirit of the general debate, in this work we have analysed some indicators and consequences of the GM technology diffusion.

Biotech crops diffusion

2014 was the 19th year of commercialisation of biotech crops, 1996-2014, when growth continued after remarkable 18 years increases. A record 181.5 million hectares of biotech crops were grown globally in 2014, at an annual growth rate of between 3 and 4%, up 6.3 million hectares from 175.2 million hectares in 2013. A 107-fold increase in GMO area from 1.7 million hectares in 1996 to 181.5 million hectares in 2014 makes its diffusion very impressive (Table 1).

Table 1.Global area of biotech crops 1996-2014

Year	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
Area (million hectares)	1.7	11.0	27.8	39.9	44.2	52.6	58.7	67.7	81.0	90.0
Year	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
Area (million hectares)	102.0	114.3	125.0	134.0	148.0	160.0	170.3	175.2	181.5	-

Source: James 2008, 2012, 2014

From the very beginning the U.S. are the absolute leader in the production. In the first year, 1996 U.S. accounted for more than 88% in the total production area. U.S. involvement has gradually decreased with the inclusion of other countries. In 2014, U.S. participation in the total area surface was around 40%. Today's area division is as follows: Latin American, Asian and African farmers collectively grew 96 million hectares or 53% of the global biotech hectares compared with industrial countries at 85 million hectares or 47%. In the long term, this trend is expected to continue despite different kind of resistance to the spread of this technology in developing countries. For example, **Bangladesh, one of the smaller and poorest countries in the world, approved and commercialized Bt brinjal in record time in 2014 because of** strong political will and support from the government, particularly from the Minister of Agriculture M.Chowdhury. Previously this crop has been rejected by India and Philippines citing lack of 'scientific certainty' on health and ecological safety. Giving in mind this a pivotal moment for GM technology in south Asia, important as an exemplary model for other small poor countries, the U.S supported this project through their agencies. Pilot scheme (US$ 600.000) owned and run by a Bangladesh Agricultural Research Institute (Bari) with support from USAID and Cornell University (http://www.theguardian.com/environment/2014/jun/05/gm-crop-bangladesh-bt-brinjal).

The greatest diversification of GMO production occurs in U.S. This country produces: maize, soybean, cotton, canola, sugarbeet, alfalfa, papaya and squash. China produces six different biotech crops: cotton, papaya, poplar, tomato, sweet pepper on 3.9 million hectares, while Canada produces four different GMOs: canola, maize, soybean, sugar beet on the area of 11.6 million hectares. Brazil, Argentina and South Africa are producers of soybean, maize, cotton. Most other countries produce one or two crops. The most important GM crop is soybean, accounting for almost 50% of the total acreage. **GM soybean share** in the total soybean acreage is 100% in Argentina and Uruguay, 93% in the U.S., 92% in Brazil, 91% in Bolivia and 90% in Canada. The second most important GM crop is maize. Unlike GM soy that has built only one GM trait herbicide tolerance, GM maize are created to be tolerant to herbicides and/or resistant to insects. Global adoption rate for transgenic corn was 32% in 2013. 98% of corn originated from Canada is GMO. 90% of corn in U.S., 82% in Brazil and 80% in Argentina is obtained through genetic engineering

(http://www.gmocompass.org/eng/agri_biotechnology/gmo_planting/342. genetically_modified_soybean_global_area_under_cultivation.html).

In terms of trait the most widely used commercial GM traits are herbicide tolerance and insect resistance (Brankov Papic, 2013). Currently, two herbicide resistant cropping systems are common for soybean, maize, rapeseed, and cotton: *Roundup Ready* (active agent: glyphosate) and *Liberty Link* (active agent: glufosinate). Pest resistant transgenic plants, “Bt” plants produce Bt toxin on their own so they can defend themselves against specific types of insects. This means farmers no longer have to use chemical insecticides to control certain insect problems. Although at first glance these technologies are attractive, a reason for concern lies in the fact that the same multinationals produces GM crops and equivalent herbicides to which the plants are tolerant as well as held patent rights to these properties and technology (Brankov Papic, 2013).

Biotech Transnational Corporations

Transnational agrochemical companies have been transformed through buying of seed companies, (at the beginning in industrial countries and, afterwards, through buying in developing countries) into leading edge “life science” companies like Du Pont, Syngenta, Aventis (nowadays known as Bayer CropScienece), Monsanto and Dow. The adaptation of agreement on all aspects of trade in services and intellectual property (TRIPS) on the Uruguay Round, which is mandatory for all World Trade Organization (WTO) members to protect patents of biotech discoveries (products and processes) and plant varieties, for the first time assumes legal measures in protection of intellectual property giving strong stimulus to private sector investments into the biotechnology. The result: five transnational corporations are in possession of 71% agricultural biotechnological patents worldwide. Monsanto is the major owner of GM soya bean, GM cotton and canola gen which is resistant to glifosat herbicide, Bayer CropScience possesses patent over all GM plants which have Bt toxin insecticide and Syngenta has the exclusive license on Golden Rice. Monsanto is the most important biotech company, which crated almost all crops placed in to the market worldwide resistant to glifosat herbicide with Roundup Ready trade mark and the majority of Bt crops (New Leaf, Bollgard, Yieldgard) (Brankov Papic& Lovre, 2008). In 2007, glyphosate was the most used herbicide in the US agricultural sector, 82,000 to 84,000 tonnes applied (http://www.epa.gov/opp00001/pestsales/).

The private sector has so far developed all GM crops, except crops in China who have developed by national research centers (Brankov Papic & Lovre, 2011). Companies protect their own market position binding farmers by contract on an annual level for all and each seed supply, in reference they forbid them to keep the seed and lead each contract breaker right into the court (Brankov Papic & Lovre, 2010).

The special danger lies in fact that the majority of GM crops are controlled by several great companies. It seems that these transnational corporations don’t gather monopole based profits in the absence of competition and effective regulative there are no guaranties that it will not happen in the future (FAO, 2004). In that sense we have analysed financial and economic performances of the biotech industry.

Financial and economic performances

Like the rest of the global economy, the biotech industry in the late 2008, faced with the global economic crisis. The crises had surprised many market players, especially hit main capital sources for biotech industry- investment banks and hedge funds. As a consequence of this turbulences available capital in the USA and Europe was dramatically reduced compared to 2007, from 29.5 billion to 15.9 billion US$ (by 38.7% in the USA and 66.2% in Europe). As presented in Table 2 biotech industry successfully restore investor confidence in the following years. Except for differences between U.S. and Europe in the size of capital raised (4 to 5 times less in Europe), there are also significant differences in its structure. For example, in the USA in the last observed year IPOs accounted for 12.9% in the total capital, while in Europe almost 3 times less (4.5%). Significance of follow-on and other sources and debt is quite similar in both regions. Venture capital participation is higher in Europe than in USA. The fall of US biotech companies from 2011 was driven by a decline in debt financing (from 19.8 billion to US$10.3 billion in 2013). Contrary, in Europe in the same period debt financing increased by 6 times, thanks to certain transaction among other transaction done by relocation of Jazz Pharmaceuticals headquarters from the US to Ireland in January 2012.

Table 2. Capital raised in North America and Europe by year (US$m)

US												
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013***
IPOs	456	448	1.565	697	1.133	1.241	6	697	1.097	814	765	3.264
Follow-on and other	1.603	4.262	6.264	5.362	7.594	5.709	3.228	7.226	4.136	4.846	6.620	7.401
Debt	4.553	6.558	4.395	5.602	7.951	8.877	5.626	4.916	11.504	19.773	11.768	10.277
Venture	1.979	2.756	3.244	3.839	3.856	5.932	4.458	4.664	4.406	4.245	4.126	4.311
Total	8.590	14.054	15.469	15.499	20.534	21.759	13.317	17.503	21.144	29.678	23.279	25.253
Europe												
IPOs	136	36	454	995	853	1.021	111	143	219	43	40	254
Follow-on and other	126	1.769	2.196	1.587	3.141	4.600	872	1.892	1.792.	1.134	948	1.541
Debt	63	39	24	100	279	319	108	654	396	393	1.934	2.446
Venture	1.259	1.064	1.860	1.776	1.872	1.821	1.531	1.091	1.371	1.321	1.243	1.474
Total	1.585	2.908	4.534	4.459	6.146	7.761	2.622	3.779	3.778	2.891	4.164	5.715

Source: Ernst&Young (2013), *Ernst&Young (2014)

From the early beginning the biotech industry has consistently delivered double-digit revenue growth. This trend has changed for the first time in 2007 when a new safety-related warning occurs. Similarly, R&D expenditures declined by 21% in 2009 and have never reached fast growth as it has (Table 3). As a response to a recession, biotech industry has reduced cash burn, laid off more than 10.000 employees, has closed non-profit companies, formed new strategic companies as well as offered secondary shares (Brankov Papic & Lovre, 2010). Thanks to these measures the industry for the first time operated without losses, — from a US$1.8 billion net loss in 2008 to a US$3.7 billion net profit in 2009. In the last observed year, 2013, the biotechnology industry gained 4.3 billion net income.

Table 3. Growth in established biotechnology centres (US$b)

Public company data	2007	2008	2009	2010	2011	2012	2013
Revenues	80.3	86.8	79.1	84.6	83.1	89.8	98.8
R&D expense	26.9	28.7	22.6	22.8	24.0	25.3	29.1
Net income (loss)	(3.1)	(1.8)	3.7	4.7	3.8	5.2	4.3
Number of employees	-	186.820	176.210	178.750	161.560	165.190	178.850
Number of public companies	815	700	622	622	610	598	616

Source: Ernst&Young (2009), Ernst&Young (2014)

Despite the recession, financial performance of the most important biotech agricultural company, Monsanto (http://www.monsanto.com/investors/pages/financial-highlights.aspx) indicate a stable and constant growth. The company net sales has increased two times during the period 2007-2014, from 8.3 billion to 15.9 US$ billion a year. Also, net income has increased almost 3 times, from 993 million to 2.7 billion $US. Net sales increased US$994 million in fiscal year 2014 from 11 percent of net sales in fiscal year 2014 from fiscal year 2013. Their Seeds and Genomics segment net sales increased by $400 million, while Agricultural Productivity segment increased by $594 million (http://www.monsanto.com/investors/documents/annual%20report/2014/2014_monsanto_annualreport.pdf).

Global values of transgenic seeds were nearly US$ 15.7 billion in 2014. The same value goes to biotech crops which represents 22% of the US$ 72.3% global crop protection market and 35% of the global seed market (http://www.marketsandmarkets.com/Market-Reports/transgenic-seeds-market-63068971.html).

Serbia- current position and way forward

As a result of the Biotech Law adopted in June 2009, Serbia does not produce GMO crops and there is no biotechnology varieties permitted for imports to Serbia. The current law regulates only conditions for the contained use, research activities, and field trials of biotech products under the strict control of the state. There is a strict and detailed application process for obtaining a permit for transgenic research (Brankov Papic, 2013). There are no economic motives for producing this food in Serbia. Serbia's rural areas are featured of traditional farming, and 55% population live in this area. Major players in seed production are two semi-state owned institutes controlling over 60% of the country maize seed market (Van Berkum & Bogdanov, 2012). But, Serbia is under constant pressure from the international community to amend the Law on GMOs. It is a condition to join as a member the World Trade Organization (WTO). Serbian politicians are sending mixed signals on this issue.

In the meantime, the anti-GMO campaign in Serbia included a large number of organizations and individuals, but two are the leading: Green and Dveri Movements. On May 2013, Serbia was one of 40 countries that have organized protest against Monsanto. The rallies are organized by “March Against Monsantno” movement, and it is estimated that about 200,000 activists was participated the massive campaign which includes 6 continents, 40 nations, and at least 48 U.S. countries. In Serbia, the protest was held in Belgrade on the Main Square, Novi Sad on the Square of Freedom and in Nis on the Square of King Milan. Acknowledged university professors spoke about the negative effects of GMO seeds, food for the health of people as well as the Serbian economy, specifically. So far, 122 municipalities in Serbia have made “a declaration against GMOs,” which is the local government declared its territory for GMO-free zones, including cultivation, import and trade.

In this way the Serbian public had declared about GMOs, but pressures do not abate. Because of that it can be anticipated- Serbia will adopt amendments to the GMO Law. In that case the fight against GMO should continue by establishing a proper system of food chain control with proper labelling. Also, movement activities to combat GMOs should continue so as not to allow citizens to sink into passivity.

Conclusion

Despite resistance and recession transgenic technology continues to spread. A 107-fold increase in GMO area from 1.7 million hectares in 1996 to 181.5 million hectares in 2014 makes its diffusion very impressive. Biotech crops today represent 22% of the global crop protection market and 35% of the global seed market value. Thanks to appropriate measures biotech industry as a whole came out of the minuses and continued financial strengthening. The industry profit rose from a US$1.8 billion net loss in 2008 to a US$3.7 billion net profit in 2009. In the last observed year, 2013, the biotechnology industry gained 4.3 billion net incomes.

Serbia is at a crossroads decisions amend the law on GMOs, as required by the international community or not. There is a strong public rejection of GMOs expressed in the signing of a declaration. Apart from majority will economically speaking Serbia significantly lags behind advanced transgenic technology and does not have the capacity to function in a patented world. That’s why must find a way to resist pressure from the international community. In this sense all the activities of anti GMO campaign are most welcome.

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THE STRUCTURE OF EXPORTS AND IMPORTS ASA A LIMITING FACTOR IN IMPROVING THE COMPETITIVENESS OF REPUBLIC SERBIA

Abstract

The aim of this work was to determine the regression analysis, which are products in the five-year period had the greatest impact on the values of exports and imports (measured in thousands of US $), and perform a comparative analysis of the results. The analysis, using statistical and econometric methodology, included the 30 commodity groups to stop imports and 30 commodity groups in exports with a share of more than US $ 100 million in the period from 2009 to 2013. The paper consists of four consistent whole. The first relates to the analysis of the main indicators of competitiveness, in order to show the importance of foreign trade deficit movement in the overall competitiveness of a country. The second and third part of the paper deals with the analysis of exports and imports by commodity groups and allocation of goods that have the greatest impact on their movements in the period. In the fourth part of the work was done on the basis of a comparative analysis of the results obtained from the regression analysis.

Key words: *export, import, trade groups, competition, agriculture*

JEL Classification: F10, O11, C12, C87

СТРУКТУРА ИЗВОЗА И УВОЗА КАО ОГРАНИЧАВАЈУЋИ ФАКТОР У ПОБОЉШАЊУ КОНКУРЕНТНОСТИ СРБИЈЕ

Циљ рада је да се регресионом анализом утврди који су то производи у петогодишњем периоду имали највећи утицај на кретање вредности извоза и увоза (мерено у хиљадама УС$), и изврши упоредна анализа добијених резултата. Анализа, помоћу статистичко-економетријске методологије, обухватила је 30 робних група на стани увоза и 30 робних група на страни извоза са учешћем већим од 100.000.000 УС$ у периоду од 2009. до 2013. године. Рад се састоји од четири конзистентне целине. Прва се односи на анализу основних индикатора конкурентности, како би се указала важност кретања спољнотрговинског дефицита у укупној оцени конкурентности једне земље. Други и трећи део рада односи се на анализу извоза и увоза по

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робним групама и издвајање роба које имају највећи утицај на њихово кретање у посматраном периоду. У четвртом делу рада урађена је компаративна анализа на основу добијених резултата из регресионе анализе.

Кључне речи: *извоз, увоз, робне групе, конкурентност, пољопривреда*

Introduction

The standard of living of an economy is the determinant of productivity, which measures the value of goods and services produced per unit of human capital and natural resources. (Porter, 2004) In other words, productivity depends on the value of national products and services, measured by prices on the open market, as well as the ability of the economy to mobilize human resources (Paraušić, 2007) in order to achieve a high income, a strong national currency and a high return on investment. (Porter, 2004) High technology led to a change in strategy to increase the productivity of companies, which make up one of the most important factors to increase the export potential of the country and improving competitiveness positions on foreign market. Porter is still in 1989 pointed out that the strategy of low labour costs, low-skilled workforce and exports of natural resources in an unprocessed form cease to be important and that their place is taken by the scientific and technical support workers and advanced infrastructure.

A survey conducted in 2003 in collaboration Jefferson Institute and the National Bank of Serbia, was aimed to show that Serbia is able to realize significantly higher than the current export succeeds, and the main problem cited lack of competitiveness not only in relation to the EU, but also in relation to the surrounding countries (Stamenković, et al., 2003). More than ten years have pointed to an increase in the value of the goods being exported to foreign markets means investing in the devastated economy of Serbia, which was believed to invest in equipment and technology, to increase the competitiveness of exports and conquer new markets. Although he then pointed out that the Serbian economy can not withstand the separation of budget and current consumption and at the same time set aside for investment, very little progress has been significant progress in terms of investment in industries that can be competitive on the international market and provide export significantly higher values. As a result of Serbia face heavy in the ranking of countries in terms of competitiveness WEF is very unfavorable. (Maksimović, 2012)

At the WEF (The World Economic Forum WEF) in 2013, a Serbia remains is ranked 101 on the list of 148 countries. Historical observed the highest value of 3.90 IGK Serbia has made on the eve of the first wave of the crisis in 2008, that the very next, 2009. The value of IGK noticeably dropped to 3.77. After this period, followed by a gradual recovery to the 2013 value IGK again descended to the level of 2009 (Tanaskovic, Ristic, 2013) Although the 2013 exports grew by 28.7% compared to 2012%, while imports increased by only 8%, (Chamber of Commerce of Serbia) remains the most important sectors of the Serbian economy: the basic manufacturing industries (metallurgy), leather, food and chemical industries. A particular problem is that a large part of the products of these sectors constitute the primary products with low added value (Presnall, 2006). One of the proofs is the Global Competitiveness Report in which Serbia in 2013/2014 evaluated in 3:01 with regard to innovation and the latter's place in relation to neighboring countries (Schwab, 2013).

The researches presented in this paper are 30 commodity groups on the export side and 30 on the import of products, which constitute its most important parts, priced in US$.

The aim is that based on regression analysis to evaluate the products that best explain the five-year period set model, and that the comparative analysis to determine whether there is a difference in the structure of the product to be exported or imported. In this way can be exported recommendations on additional investment in certain sectors of the economy and raising the level of analysis, which would both have a positive impact on increasing the value of export. In the other hand, through the analysis of the import commodity structure of recommendations can be made about some of the alternative products or commencement own production in those categories that the economy is to support primary resource.

General hypothesis:

- *The null hypothesis 1 (H1o): The total exports are dominant commodity groups which include raw materials and intermediate products.*
- *The null hypothesis 2 (H20): In the total of imports are dominant product groups, which include raw materials and intermediate products.*

Specific hypothesis

- *The null hypothesis 3 (H30): There is no statistically significant effect of independent variables:*[3] *coded- 41,44, 48, 57, 58, 61, 81, 98, 111, 112, 282, 334, 335, 351, 421, 511, 542, 571, 581, 625, 641, 672, 673, 682.684, 691, 699, 716, 764.781, 846, depending on the variable total exports.*
- *The null hypothesis 4 (H40): There is no statistically significant effect of independent variables: coded- 57, 333, 334, 342, 343, 351, 533, 542, 553, 554, 562, 582, 598, 641, 642, 676 682, 684, 699, 728, 741, 743, 752, 764, 773, 778, 781, 782, 784, 845, 851, 893, depending on the variable total imports.*
- *The null hypothesis 5 (H50): There is no agreement in the movement of the annual rate of GDP per capita between Serbia and neighboring countries.*
- *The null hypothesis 6 (H60): There is a high correlation between total exports in 2013 and exports of passenger cars of the same year.*

Research mmethodology

In addition to these specific null hypotheses in this paper are defined as other specific null hypothesis stemming from applied statistical and econometric methodology: regression and correlation analysis (hypotheses about multicollinearity, heteroscecasticity, autocorrelation and presumptions about the schedule of random error and its arithmetic mean, etc.).

Type of research and sample. Empirical analysis of the representation of certain groups of goods in total exports / imports was made for those product groups whose value exceeds US $ od100.000.000. The basic technique of data collection is reduced to the analysis of data from the Republic Statistical Office of Serbia and database international various organizations such as the World Bank. For the regression analysis used data on exports and of imports by commodity groups annually. All product groups, with a value above mentioned, consist of independent variables in the regression model. Highlighted the 30 commodity groups, in order to select those that have the greatest impact on exports, and 30 products that have the highest influence on imports. All product groups are ordered from 1 to 999, and the names and codes of selected commodities for

Reviewing will be shown in the tables attached. Take time to consider, from 2009 to 2013. interesting is because previous researchers have dealt with the analysis of the structure of exports by 2008/2009 and later analysis revolved solely on the comparison of figures without statistical analysis.

Statistical tools. All collected data is stored in a database Microsoft Excel 2007 and SPSS (Statistical Package for the Social Science for Windows, version 19). In this paper are used regression and correlation analysis. The collected data were statistically analyses using the program Statistical Package for the Social Science for Windows, version 19.0 - SPSS; (Pallant, 2011, Jovetić, 2007, Tabachnick & Fidell, 2007). To determine the statistical significance level of trust was used $\alpha = 0.05$.

The results of the research

Indicators of economic competitiveness

The competitiveness of the economy can be viewed through the next several indicators:

- **Comparison of GDP per capita compared to neighboring countries,** where according to GDP per capita, according to the Methodology and WEF, located on the middle level development[4], in the second phase of development, whereas key drivers of competitiveness of the columns from the group factors increase efficiency. (Maksimović, 2012, p.102) of the gross domestic product in Serbia in 2012 amounted to US $ 4943 per capita in comparison with neighboring countries, lower GDP / per capita have only Albania (3913 US $), BH (4461 US $) and Macedonia (4683 US $). The higher GDP per capita in 2012 has Montenegro (6882 US $), Bulgaria (7033 US $), Czech Republic (US $ 18,579) or Hungary (US $ 12,736). (WEF, 2013, p. 333).
- **Movement of foreign trade deficit** in goods in the period 2009-2013 is in the range of 9.8 mil. to US $ 14.6 million. US $.[5] In the first six months of 2013 foreign trade deficit reached 3.7 billion. US $, a decrease of 13.5% compared to the same period in 2012. However, the value of the foreign trade deficit gives only a rough insight into competitiveness an economy. (Prausic, 2007) A more precise insight into the degree of competitiveness can be gained by analysing the structure of commodity exports. There should be noted that the dominant positions in Serbia's exports are iron, steel, non-ferrous metals, grains, vegetables and fruits. Regression analysis in the third part of the paper will be displayed variables (goods), that the five-year period has consistently greatest impact on export trends. The methodology of the International Trade Centre (ITC), which is applied to determine the best products and export sectors of the Serbian economy, has shown that the most important sectors of the Serbian economy: the basic manufacturing industries (metallurgy), leather, food and chemical industries (Presnall, 2006). From the report of 2006, no progress is made in changing the structure of exports and finding models to raise a level of processing, which would have a significant impact on the scaling up of export value. (Presnall, 2006) What is usually given as

justification is the global financial crisis that began in late 2007, and today the majority of developed countries are past. The EU is an important trading partner of the United States so that the financial crisis in the United States worked to reduce the demand for imports of goods from the EU, causing a reduction in revenues from exports to the EU and therefore the reduction of EU imports, including imports from the countries of the Western Balkans and Serbian. (Jaćimović, 2013) The growth of exports over imports in 2013 could be an indicator of sunrise and Serbia from the crisis.

- **Level of foreign debt** is analyses on the basis of indicators that demonstrate the level of debt and the country's ability to meet its obligations under the external debt. Table 2 shows the ratio of external debt to the value of annual exports for the period from 2009 to 2012. This indicator with solvent countries does not exceed 220%; you can say that in this five-year period the case with Montenegro, Bosnia and Macedonia.

Table 1: The ratio of external debt and the value of annual exports (%)

Year/Countries	2009	2010	2011	2012
Serbia	269.6	236.7	191.6	215.1
Romania	254.7	226.3	186.4	203.7
Bulgaria	223.3	175.4	129.0	145.4
Macedonia	164.7	139.7	125.3	147.0
B and H	218.3	180.9	159.2	182.9
Montenegro	141.7	93.1	107.1	143.5

Source: www.worldbank.org

What is the basis of the data analysis can be concluded is that all countries have the highest values of the indicators by 2009 had, which is considered the year in which the effects of the global financial crisis, the most visible.

Table 2 shows the percentage value of the ratio of external debt and annual exports, which according to the criteria of indebtedness by the World Bank methodology, should not exceed 80%. The countries in which this indicator is above 80% belong to the group of highly indebted countries.

Table 2: The ratio of external debt and the value of annual exports (%)

Year/Countries	2009	2010	2011	2012
Serbia	85.5	91.2	75.1	94.8
Romania	74.1	76.5	69.3	78.9
Bulgaria	116.1	106.0	92.6	102.9
Macedonia	56.8	58.0	61.4	70.0
B and H	64.1	58.3	55.0	61.1
Montenegro	54.0	40.5	54.9	68.3

Source: www.worldbank.org

In addition to Serbia, which in 2011 alone was not highly indebted, there is Bulgaria, which although members of the EU, has an extremely high value of this indicator. What is the cause of the high value of this indicator in the case of Bulgaria, including Serbia, is the growth of external debt in ten years to several hundred times.[6] The international financial institutions is generally accepted indicator of the relationship of annual commitments by external debt and the value of annual exports, according to which a highly indebted country if the annual amount of overdue principal and interest repayments exceed 25% of the value of exports of goods. (Marcetic, Đurić, 2012, p. 176)

Table 3: Ratio of annual obligations on external debt and the value of annual exports (%)

Year/Countries	2009	2010	2011	2012
Serbia	37.0	30.9	31.5	36.7
Romania	34.7	33.8	27.4	34.2
Bulgaria	21.9	14.4	12.2	13.0
Macedonia	16.7	16.5	18.9	15.1
B and H	9.1	14.6	13.6	18.4
Montenegro	4.1	5.7	9.7	13.6

Source: www.worldbank.org The World Bank

And according to this indicator, Serbia is one of the highly indebted countries, which in turn is a consequence of the above mentioned samples.

- **Increase rates of inflation** in the period from 2009 to 2013 shows significant fluctuations. What is a positive sign is the significant reduction in the rate of inflation in 2013, which is determined by comparing the first and second quarters of 2013 and second quarter of 2011. The following graph can be clearly observed prices of goods and services which had a lower growth in 2013 compared to the same period of 2011 and 2012. If we compare the first quarter of 2011, where the share price growth of unprocessed food was 5.5 %, while in the first quarter of 2013, this percentage decreased to 1.1%. Also, the smaller the increase in prices of processed food, energy industrial goods without food and energy, as well as services According to data from the National Statistics, this trend continued in 2014, with respect to the price of retail goods and services for personal consumption, on average, lower 0.3% in March compared to February of the same year.

Regression analysis - the impact of individual commodity groups in export trends in the five-year period

Based on theoretical and empirical analysis of each indicator of competitiveness, it can be concluded that the promotion of every important task of economic policy makers if they want to improve the **competitive** position of the Republic of Serbia. In this part of the paper will analyse the structure of exports, regression analysis to separate those commodity groups in the five-year period have the greatest impact on its movement.

Experimented with different curves regression analysis showed that the data is best adapted to the logarithm function. In the model, the other three variables, namely: commodity groups with the following codes: 41 (Wheat, shelled), 57 (fruit, fresh or dried) and 682 (copper). Data is adjusted and a linear function. In the model remain six variables, but linear hyper-flat surface is less Snedecor F statistics.

The statistical significance of the regression line is high, where Snedecor F random variable F = 51.916 p ==, 0006.Korigovan coefficient of determination (Adjusted R

Square) is 92.7% and shows that 92.7% of the variation dependent variable - total exports explained variations of independent variable 41, 57 and 682. VIF for every variable is less than 5, it shows that there is no multi-collinear in the model.

It has been tested and heteroscecasticity problem. It is assumed that the random errors have constant variance and final. (Jovetić, Janković, 2012) was applied Gejslers test, the absolute value of the residuals are regressed in relation to the independent variable. Experimented with different curves and found that the data is best adapted to the exponential function. Stedekorov F statistic F = 1.896 is smaller than F (0, 05; 1, 4) = 7.71 and p = 0.262 is greater than α = 0.05, which means that the null hypothesis is accepted hypothesis, that there is no problem of heteroscedasticity.

We tested the assumption of compliance with the conditions of the random variable based on Kolgomorov-Smirnov test. Since the sig. 0.200 (> 0.05), to be adopted by the null hypothesis that the random variable can be approximated by a normal distribution. The arithmetic mean of residual deviations is equal to zero.

Table 4: Test of normality of the random variable

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	,195	5	,200*	,909	5	,459

a. Lilliefors Significance Correction
*. This is a lower bound of the true significance.

Source: Author

Based on the analysis, we can draw the conclusion that the three commodity groups that best helps to explain the model exported as raw materials. The first two are related to agriculture, which in 2013 recorded a surplus and one of the deserving branch impairment deficit compared to last year. Given that 75% of negotiations with the EU specifically related to agriculture and the environment, it can be said that this trend will be continued growth in exports, but with significantly raising the level of processing. Who can be concluded largest importer of fruit from Serbia is the Russian Federation, which has increased the import of fresh apples from Russia, in the period of 2008-2012, to 45%. (International Trade Center) also increased exports of fresh apricots, cherries, peaches, nectarines, plums and sloes 21% in the same period. What are the analysis showed, and a chart where the growing trend is that the comparative advantage of Serbian agriculture and it certainly Fruit and Olericulture. Third significant variable in the export is copper ore, which is mostly exported to the Czech Republic, where the constant growth in demand. Pine Mine is one of the richest ore and this is considered to be still under-used, so that this branch of the economy has good prospects in the future.

Regression analysis - the impact of individual commodity groups the increase in imports during the five year period

For making a comprehensive analysis is necessary to perform an analysis of the commodity groups that have the most impact on the movement of imports in the period from

2009 to 2013. Also, he experimented with different curves I regressive analysis showed that the data best adapted to the linear function. In the model, the other three variables, namely: commodity groups with the following codes: 343 (natural gas, liquid or not), 781 (passenger cars) and 351 (electricity). The statistical significance of the regression line is high, aSnedecorovs F random variable F = 39.238 p ==, 008.Korigovan coefficient of determination (Adjusted R Square) is 92.9% and shows that 92.9% of the variation dependent variable- total imports explained variations independently variables 343, 781 and 351. The Also in this model VIF for all variables is less than 5, it shows that there is no multicollinearity. In order to determine that there is no problem of heteroskedasticity experimented with different curves and found that the data is best adapted to the exponential function. Stedekorova F statistic F = 0.666 is smaller than F (0,05; 1,4) = 7.71 and p = 0.474 is greater than α = 0.05, which means that the null hypothesis is accepted hypothesis, that there is no problem of heteroskecasticity Tested the presumption of compliance with the conditions of the random variable based on Kolgomorov-Smirnov-th test. Since the sig. 0,110 (> 0.05), adopts the null hypothesis that the random variable can be approximated by a normal distribution. The arithmetic mean of residual deviations is equal to zero.

Table 5: Test of normality of the random variable

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Unstandardized Residual	,318	5	,110	,830	5	,140
a. Lilliefors Significance Correction						

Source: Author

Based on the analysis we obtained three commodity groups that consistently best explain the dependent variable, i.e. total imports. In the first place the gas, which is mainly imported from Russia and Kazakhstan, as the graph can notice. Annual expenditures for both types of energy on average amount to about 3,000 per year per household. This amount alarms need to develop capacity for the production of renewable forms of energy, especially those based on solar light. Interesting is the third separate variables, cars and to those from 1000 to 1500 cubic meters, have a large share in total exports, as the graph can observed. The largest exporter of this group of cars on the Serbian market is the Czech Republic and Slovenia. Cars from 1500 to 3000 cubic meters of mostly imported from France and Germany. The high value of the imported commodity groups can be compensated for by exports of Fiat cars, which in 2013 had the largest share in total exports of US $ 1946612000.2 (9.5%). However, it is mostly exported to that group of vehicles (from 1000 to 1500 cubic meters), which is most common in the total imports. The US $ 1.256136 billion exports are cars from 1000 to 1500 cubic meters. This group of car exported to the US and Italian market.

Comparative analysis of results obtained from the regression analysis

The importance of comparative analysis of exports and imports shows the Spearman correlation coefficient, which measures the ratio of export and import of Serbia in the period from 2001 to 2013. It is very important to make a comprehensive study in order to draw conclusions about the structure of these two indicators and Manner of their equalization priced.

Table 6: Spearman correlation coefficient for exports and imports in the period from 2001 to 2013

Correlations			
Spearman's rho	total exports per year	Correlation Coefficient	,912**
		Sig. (2-tailed)	,000
		N	13
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Author

The null hypothesis is that general are dominant in the total export commodity groups that include raw materials and intermediate products, which can be adopted with respect to the entries model best explains the three variables, wheat, fruits and copper. These three commodity groups fall in raw materials and exported in its basic, raw material form (adopted by the general null hypothesis H01 and H31 specific alternative hypothesis). Although in 2013, the largest share in total exports was the automotive industry, as evidenced by the Spearman correlation coefficient with a value of 1, regression analysis has provided aside from the aforementioned three variables as those that best explain the model. After examining the database Republic Bureau of Statistics clearly show that the growth in exports of passenger cars bound for the 2012/2013 year, we can derive the reason of the foregoing (adopt the alternative hypothesis H61).

Table 7: The value of exports of passenger cars in the period from 2009 to 2013

Commodity Group / year	2009	2010	2011	2012	2013
Passenger cars	15839,5	39311,3	51474,4	397856,0	1946612,2

Source: Republic Bureau of Serbia

Also, the null hypothesis that the general in the total exports of the dominant commodity groups which include raw materials and intermediate products can not be confirmed, since the regression analysis showed that the sutras dominant commodity groups represented in imports in the reporting period, gas, electricity and passenger cars. It was found that 92.9% of the variation dependent variable- total imports explained variations of the above independent variables (adopted by the general alternative hypothesis H12 and H41 specific alternative hypothesis).

Conclusion

Based on the research, the analysis of the survey results and statistical and econometric analysis, the following can be further directions of analysis:

- The main limitation is the lack of labor statistics and econometric analysis only on the Serbian economy. The analysis should be extended, in accordance with the theoretical part of the work to other countries in the region.
- Given that the work of statistical data for the period from 2009 to 2013, the analysis could be extended to the ten-year period on the basis of which they could draw conclusions on the change of the export / import structure.
- The paper conducted two regression analysis and by 30 commodity groups to stop imports and 30 commodity groups in exports with a share of more than US $ 100 million, so that the analysis could be extended to those commodity groups in total export / import feature the participation of more than 50 million US $.
- The theoretical part of the work could be completed with some other indicators of competitiveness in its methodology used by the World Bank. The paper analyses the macroeconomic environment has been reduced and could be extended to institutions (first pillar). This segment is very important with regard to his analysis came to the core of problems plaguing the economy of Serbia to be further developed. A World Bank report states that the importance of a healthy and fair institutional environment a key item out of the crisis, strengthening the economies of developing countries and their integration into the international mainstream.

Based on the analysis can be applied to make the following recommendations:

- Regression analysis has provided showed that fruits and grains have the greatest impact on constantly trend export so that the recommendation to invest more in this industry, which at this level shows excellent results. Especially important is the relationship with Russia, given that the percentage increase in the export of fresh fruit to this market increased significantly in recent years and has the potential to continue this trend. Recommendations for consolidation of parcels and the adoption of a strategic plan on the way of financial assistance to registered farms.
- In addition, regression analysis showed that the most consistent impact on import trends have energy (electricity and gas), therefore it is necessary to make a long-term plan for the production of renewable forms of energy, especially those based in the sunlight.

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Endnotes

3 Independent variable is given in the form of codes, which will be explained at the end of the attachment.

4 This group includes all countries with a GDP per capita of US $ 3000-8

5 External trade R. Serbia, December 2013., National Bureau of Statistics of Serbia.

6 External debt of Bulgaria in 2000 was 10.4 billion. US $, while the 2011 rose to 46.6 billion US $.

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IMPROVING HUMAN CAPITAL IN SERBIA

Abstract

The author identifies the level of human capital development in Serbia, then he analyses the limitations of human capital development, and finally he proposes measures and activities needed for the improvement of human capital. The aim is to pave the way for human capital development in Serbia. Research uses the inductive and deductive methods, analysis and synthesis, statistical and comparative method. Human capital is viewed through four key components: education, health, work and socioeconomic environment. The level of human capital development in Serbia was identified through the prism of Human Capital Index from Human Capital Report of the World Economic Forum. Human capital development is observed in the context of economic growth speed. The conclusion of the paper is that human capital in Serbia is at a low level and that its improvement requires reform of education and health, employment growth, labour market reform and good socioeconomic environment.

Key words: human capital, education, workforce, socioeconomic environment, economic growth.

JEL classification: I25, J24, O15

УНАПРЕЂЕЊЕ ЉУДСКОГ КАПИТАЛА У СРБИЈИ

Апстракт

Аутор у раду идентификује ниво развијености људског капитала у Србији, затим анализира ограничења развоја људског капитала, а на крају предлаже мере и активности неопходне за унапређења људског капитала. Циљ рада је трасирање пута развоја људског капитала у Србији. Као методи истраживања коришћени су индуктиви и дедуктивни метод, метод анализе и синтезе, затим, статистички и компаративни метод. Људски капитал се посматра кроз четри кључне компоненте: образовање, здравље, свет рада и друштвено-економско окружење. Ниво развијености људског капитала у Србији је идентификован кроз призму Индекса људског капитала из Извештаја људског капитала Светског економског форума. Развој људског капитала се сагледава у контексту убрзања привредног раста. Закључак рада јесте да је људски капитал у Србији на ниском нивоу и да његово унапређење захтева реформу система образовања и здравства, раст запослености, реформу тржишта рада и добро друштвено-економско окружење.

Кључне речи: људски капитал, образовање, радна снага, друштвено-економско окружење, привредни раст.

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Introduction

Human capital in economic theory is defined as a set of knowledge, skills and abilities of employees that they incorporate into production and service processes and activities of economic entities and thus contribute to the growth of labour productivity and/or quality improvement of products and services with the aim of achieving economic value. It is a concept that unifies the characteristics of capital and human factors. In fact, human capital is the quality of the workforce.

Human capital is generated through formal and informal channels. Precisely, human capital is created and developed in the first place through education, the second within the world of work, and the third within the family. The knowledge, experience and real motivation, which are developed within the family, as informal channel, determine the ability and efficiency of acquiring new knowledge and skills throughout education and work. In fact, education is the key factor in the development of human capital. In the case of formal education, which is the most important mechanism for the generation and promotion of human capital, the sphere of state primary education that determines the options and choices is of particular importance (Zubović, 2007, p. 2). Informal education is of great importance for the development of human capital in comparison to formal education. The knowledge, skills and experience are also acquired and improved through training and learning. Above all, the role of health is very important for the creation and development of human capital as well as its value and usefulness.

Human capital is one of the key factors of economic and social progress (Krstić, Backović, Džunić, M., 2012). The positive impact of human capital in economic terms is reflected in contributing to faster economic growth, increasing labour productivity and lowering unemployment (Krstić, Stanojević, 2013). People with better education have lower risk of unemployment and poverty. Economies which are with high quality workforce are more competitive. Economic development is impossible without the change in the structure and quality of the labour force because people and their competencies are key drivers of economic development.

Human capital in Serbia is inadequate both in quality and quantity. Decades of economic crisis, lack of growth and development, regression in the development as well as numerous systematic deficiencies, limitations and defects have led to massive loss of human capital. Investment in human capital, or its increase, makes sense only if there is adequate return. Otherwise, there is a loss of motivation for increasing human capital and its reduction. Education and health make a large impact on the value of human capital, but in our case they have poor performance. Human capital is also reduced due to massive long-term unemployment, bad attitude of entrepreneurs towards this form of capital and negative demographic trends.

The lack of quality workforce in Serbia and its misuse have a strong negative impact to the slow dynamics of economic growth and make it one of the basic factors of low competitiveness of the domestic economy. Therefore, the paper discusses the possibilities for improvement of human capital in Serbia, and it is preceded by analysis of state of human capital, then, understanding the factors that limit the development of human capital with the aim to provide direction for its improvement and increase, and thereby contributing to the bigger economic growth and stabilization of development.

Research methodology

The paper will apply inductive and deductive methods, methods of analysis and synthesis, and statistical and comparative methods. Human capital is viewed through the four basic components: education, health, work and socioeconomic environment. The level of development of human capital in Serbia is observed through Human Capital Index from the Human Capital Report of the World Economic Forum, which assesses the human capital in Serbia and reviews of each of the individual components of human capital. In particular, we analyse each of the components of human capital: education, health, work and socioeconomic environment, in order to make an overview the value of human capital in Serbia through the method of synthesis. The level of development of human capital and the limits of development of human capital are observed through inductive and deductive methods, where the state of the practice leads to the general conclusions, on the one hand, and making individual conclusions on the basis of general attitude, on the other hand. The research was supported by indicators and descriptive statistics that provide insight into the situation in the field of human capital in Serbia and each of the individual components of the capital, as well as their interconnection and cause. Comparative method can be used for reviewing and comparison of the situation in Serbia and the developed countries of Europe, as to deepen knowledge about the value of domestic human capital.

Based on the results of research on the development of human capital in Serbia and limitations for its future development, the author provides recommendations and guidelines and makes conclusions for the improvement of human capital, which certainly requires the use of inductive and deductive methods, and method of synthesis.

Human capital in Serbia - the level and characteristics

The development of human capital in Serbia is viewed through the prism of Human Capital Index of the World Economic Forum. Index of human capital includes three key areas of human capital: education, health and labour - pillars 1, 2, and 3, or their contribution to the development of human capital. In addition, the value of human capital is determined by physical, social and economic environment - pillar 4: environment, which determines whether the human skills and knowledge are valued in the right way and how they are useful and profitable.

Table 1 Index of Human Capital (2013)

	Serbia		OECD
	Rank/122	Score	Score
Index of Human Capital	85	-0.343	0.713
Pillar 1: Education	59	0.053	0.766
Pillar 2: Health and Wellness	52	0.115	0.599
Pillar 3: Workforce and Employment	118	-0.945	0.586
Pillar 4: Enabling Environment	89	-0.596	0.899

Source: Human Capital Index, (2013), World Economic Forum, p. 19 & 446.

According to the Index of human capital, Serbia got mark -0.343 and it was on 85th place out of 122 countries in 2013, and it indicates a low level of human capital development. The rating is indicative -0.343, especially when it compares with grade 0.713 for OECD countries, where human capital is the highest quality and most competitive. Observed by the pillars of the Index of human capital, the situation in Serbia is the best in the health pillar, it is poorer in education pillar, while it is poor in the enabling environment pillar, and the very poor in the workforce pillar. All pillars of Index of human capital show bed marks.

Table 2 presents the indicators within the pillars of the Index of human capital for a more detailed overview of the situation in individual areas.

Table 2 Indicators of Human Capital (2013)

	Rank/ 122	Score	Value	Value min.	Value max.
Pillar 1: Education					
Access					
- Primary enrolment rate (%)	75	0.131	94	58	100
- Secondary enrolment rate (%)	23	0.787	90	16	100
- Tertiary enrolment rate (%)	43	0.373	50	1	103
- Education gender gap	55	0.452	0.993	0.645	1.000
Quality					
- Internet access in schools	74	-0.329	3.91	1.64	6.64
- Quality of the education system	96	-0.770	3.11	1.99	5.98
- Quality of primary schools	68	-0.201	3.72	1.97	6.82
- Quality of math & science education	48	0.306	4.33	1.88	6.29
- Quality of management schools	100	-0.808	3.62	2.29	6.09
Attainment					
- Primary education attainment (%, popul. age 25+)	-	-	-	5	100
- Secondary education attainment (%, popul. age 25+)	22	0.883	86	2	100
- Tertiary education attainment (%, popul. age 25+)	49	-0.235	16	0	44
Pillar 2: Health and Wellness					
Survival					
- Infant mortality (per 1000 live births)	35	0.697	6	2	98
- Life expectancy	59	0.177	74	50	83
- Survival gender gap	81	-0.060	0.970	0.920	0.980
Health					
- Stunting and wasting (% in children under 5)	15	1.026	6.3	1.2	36.5
- Unhealthy life years (% of life expectancy)	42	0.411	12	8	66
- Deaths under 60 from non-commun. diseases (%)	31	0.919	14.9	7.3	55.8
- Obesity (% of adults with BMI > 30)	78	-0.471	23.0	1.1	42.8
- Business impact of non-communicable diseases	89	-0.581	4.22	2.74	5.87
- Business impact of communicable diseases	32	0.798	6.27	3.13	6.90
Well-being					
- Stress (% of respondents)	59	-0.095	32	8	69
- Depression (% of respondents)	85	-0.500	15	2	37

Services - Water, sanitation and hygiene (% with access) - Healthcare quality - Healthcare accessibility	 43 90 79	 0.718 -0.842 -0.588	 98.1 3.08 3.94	 31.1 1.78 2.41	 100.0 6.75 6.75
Pillar 3: Workforce and Employment					
Participation - Labour force participation rate, age 15-64 (%) - Labour force participation rate, age 65+ (%) - Economic participation gender gap - Unemployment rate (%) - Youth unemployment rate (%)	 - - 60 104 102	 - - 0.136 -1.998 -2.457	 - - 0.660 19.2 42.5	 43.4 1.6 0.310 0.3 1.6	 90.6 91.2 0.839 32.0 48.2
Talent - Country capacity to attract talent - Country capacity to retain talent - Ease of finding skilled employees - Pay related to productivity - Capacity for innovation - Index of Economic Complexity - Firm level technology absorption - Scientific and technical articles (per 1000 people) - Median age of the working population	 118 121 76 100 114 34 117 34 32	 -1.794 -1.745 -0.313 -0.860 -1.145 0.552 -1.534 -0.231 0.936	 1.59 1.84 3,77 3.40 2.79 0.63 3.72 0.119 39	 1.48 1.81 2.13 2.37 2.31 -1.96 3.17 0.000 28	 6.08 5.97 5.69 5.25 5.84 2.37 6.23 1.242 42
Training - Staff training - Training services	 119 107	 -1.606 -1.173	 3.01 3.38	 2.51 2.67	 5.57 6.47
Pillar 4: Enabling Environment					
Infrastructure - Mobile users (per 100 people) - Internet users (per 100 people) - Quality of domestic transport	 34 60 86	 0.539 -0.059 -0.537	 125 42 4.00	 17 1 2.08	 191 95 6.51
Collaboration - State of cluster development - Business and university R&D collaboration	 112 91	 -1.304 -0.659	 2.96 3.19	 2.33 2.11	 5.49 5.84
Legal framework - Doing Business Index - Social safety net protection - Intellectual property protection and property rights	 68 87 106	 -0.117 -0.708 -1.042	 86 3.01 3.03	 1 2.10 1.62	 180 6.26 6.31
Social mobility - Social mobility	 117	 -1.479	 3.05	 2.78	 6.36

Source: Human Capital Report (2013). World Economic Forum, pp. 448-449.

The information from table 2 show that the state of the education pillar is relatively satisfactory in terms of access and attainment to education, while the key problem is the low quality of education. The pillar of health problems exist in terms of quality and accessibility of health services, then the impact of NCDs on business, the period of poor health throughout life, depression and obesity. The workforce pillar problems exist in terms of employment and unemployment size and the quality of the workforce, relationship towards talent, the volume of investment in staff training and quality training. Therefore, there are problems in almost all positions of the pillar of the workforce. The environment pillar assessments are better in terms of infrastructure, and they are worse in cooperation, the legal framework and social mobility.

Table 3 presents the information on education and employment of population in order to consider in more detail characteristics of human capital.

Table 3 Education and employment (2013)

The population aged 15 and over by level of education		
	Number of residents	%
Total	6161584	100
No education	164884	2,67
Incomplete primary education	677499	10,9
Primary education	1279116	20,7
Secondary education	3015092	48,9
Higher education (VI-2)	348335	5,6
Higher education (VII-1)	652232	10,5
The structure of employment by level of education		
	Number of employees	%
Total	2310718	100
No education	14507	0,6
Incomplete primary education	122443	5,3
Primary education	350376	15,2
Secondary education	1304566	56,4
Higher education (VI-2)	162680	7,0
Higher education (VII-1)	356146	15,4
The structure of unemployment by level of education		
	Number of unemployed	%
Total	774890	100
No education	4649	0,6
Incomplete primary education	17047	2,2
Primary education	120108	15,5
Secondary education	496704	64,1
Higher education (VI-2)	48043	6,2
Higher education (VII-1)	88337	11,4

Source: Statistical Yearbook of the Republic of Serbia, (2014), p. 41, 66 & 69.

The educational structure of the population in Serbia is unfavourable considering the fact that 1/3 of the adult population over 15 are at the primary education level or below it, and it means that they don’t have the necessary skills and competencies for participation in the labour market. Results from the 2011 Census indicate that 1,96% of the population is illiterate. Very problematic is a low percentage of people who are with higher education which is 10,5% of the total population taking into consideration that highly educated people are of importance for the development of economy and society.

The structure of employment is dominated by people with secondary education and it is 56,4% of the total. There are a significant number of those at level of tertiary education and it is 22,5%, while the number of those with primary education and lower is 21,2%. Thus, it was confirmed by the international experience that employment of people increases with higher level of education. In our case, we still have a large number of employees with basic education which indicates a low level of development of the economy. People with primary and secondary education take a dominant place in the structure of unemployment and it is 64,1%, and there are also a significant number of those with higher education and it is 17,6%. A large share of people with higher and secondary education in the structure of unemployment shows deficit of competencies required for the work or the absence of effective reform of the education system, poor quality of education, education mismatch with the needs of employers and the labour market, but also it is the result of bad conducted transition and strong economic crisis in the country.

Serbia is among the countries in Europe that records the lowest values of the indicators of life expectancy. The value of this indicator for Serbia is 74 years, and it is lowered for five years compared to the average of the countries of the European Union. The health status of the Serbian population aged 18-64 was rated as good in 36,4% of cases according to the Health Survey in 2013, very good 26,8%, solid 24,0%, while poor in 10,8% of cases and very poor 2.0% (Matković, 2015, p. 147). These information points out the unsatisfactory state of health of the nation.

In accordance with the information in tables 1, 2, and 3 and the comments given we conclude that human capital in Serbia doesn't answer well enough to the economic and social needs, and that the level of development of human capital is low.

Limitations of human capital development

The basic factors of human capital are education and health. The value of human capital depends on the volume of investment in education and quality education. Whereas, the world experience shows that the quality of education is a more important factor than the volume of investment in education when it comes to the improvement of human capital, and greater investment in education doesn't guarantee a higher quality of education (Bokonjić, 2014, p. 17). There is also a strong link between health and improvement of human capital because healthy people can fully access to education or engage in the world of work or upgrade their skills and competencies and contribute to greater productivity. Human capital is created not only through formal education and training, but also through cooperation and socializing with other people where we come to the fore of social ties and norms or social capital. Societies, that are able to create a culture which the education is highly valued, will succeed significantly to increase human capital (Bokonjić, 2014, p. 3). Human capital is also affected by demographic trends and migration. The factors of human capital previously listed are the bottlenecks in the case of Serbia and are limiting development of this form of capital.

Author identifies the following limitations of human capital development in Serbia:

- Low GDP per capita and poor prospects for rapid economic growth;
- Low employment and high unemployment of the population;
- Deep poverty and social exclusion of the population;
- Nonfunctional market economy and inefficient labour market;
- Inadequate education system and poor educational policy;

- Inadequate health care system;
- Bad attitude of the private sector towards human capital;
- Weak social capital;
- Negative demographic trends and the brain drain.

GDP per capita of Serbia was 5.908 dollars in 2013. The low level of GDP per capita implies the inability of the state to allocate significant funds for education. The share of Serbian government expenditure for education is 4,5% of GDP, while the recommendations of UNESCO is 6,0% of GDP. The problem is the low share of expenditure for higher education that is 0,85 of GDP, which is significantly lower than 3,0% of GDP as suggested by the Lisbon Agenda. Previously mentioned shows a bad position of education in Serbia at the scale of state and social priorities. Government expenditure in Serbia for health care is relatively satisfactory and it reaches 10% of GDP (Human Development Report, 2014, p. 189.). However, if we look at the absolute sizes of Serbian government expenditure for education and health, we recognize their multiple insufficiency in comparison with selected OECD countries, and it is a result of differences in the level of GDP. The Serbian government expenditures per capita for education is 277 dollars per year and 614 dollars for health, while the United Kingdom allocates 2.215 dollars and 3.679 dollars, Germany 2.249 dollars and 4.995 dollars, France 2.573 dollars and 4.988 dollars, respectively (Global Competitiveness Report 2014-2015, 2014, p. 402; Human Development Report, 2014, p. 188-194, the calculation of the author).

Serbia’s economic growth forecasts, according to the World Bank and the International Monetary Fund, won’t have exceeded 2,0% per year for the next three years (World Economic Prospects, 2015, p. 67). Bleak prospects for dynamic economic growth say about the unattractiveness of private investment in education or training due to unprofitability. Special problematic is the trend of diminishing technologically demanding industries, which implies a reduction of human capital. The low rate of economic growth in Serbia is the result of bed investment environment and an unfavourable business climate, and above all it is a consequence of low competition, restrictive labour regulation, high taxes and contributions and corruption (Kuzmanović, 2014, p. 21).

Serbia has been troubled by problem of low employment and high unemployment. The employment rate was only 37,7% in 2013. Human capital loses value when it isn’t in use, or in the case of unemployment (Petrović, 2010, p. 117). There was a massive loss of human capital due to massive unemployment in Serbia, which was 775 thousand people or represented by unemployment rate - 22,1% (Workforce Survey 2013, 2014, p. 10). It is particularly devastating impact of long-term unemployment on the value of human capital since it nullify the effects of investment in education and training of people. Long-term unemployment rate was 17,5% in 2013, while the share of the long-term unemployed in the total number of the unemployed reached 76,0%, which indicated the extent of the problem. Long-term unemployment leads to a loss of knowledge and experience, and thus reduce the opportunities for re-employment. Youth unemployment is also large and it amounted to 49,4% in 2013, and it has resulted in significant reduction in human capital (The Second National Report about Social Inclusion and Poverty Reduction in the Republic of Serbia, 2014, p. 13, 129-130).

The number of the poor in Serbia had increased from 470 thousand people in 2008 to 610 thousand in 2013 as a result of the tightening of the economic crisis in the country. The poverty rate was 6.1% in 2008 and it was 8,6% in 2013 (Mijatović, 2014, p. 38). At-risk-of-poverty rate was 24,6% in 2012. The trend of increasing poverty corresponds with a decreasing in employment and rising unemployment. The level of material deprivation of the population in Serbia is very high. Material deprivation rate was 44,2% in 2013, high material deprivation rate was 26,9% and extreme material deprivation rate was 14,2% (Matković, 2015, p. 40). The risk of poverty or social exclusion rate was 42,1% in 2013, which indicated that three million people in Serbia were at risk of poverty or social exclusion (Matković, 2015, p. 104). Social exclusion is very common with Roma, and the following community groups are also very vulnerable: refugees, internally displaced persons, persons with disabilities, youth, rural populations, women, and other. Poverty and social exclusion impede access to education, health and labour market, and thus they affect directly the reduction of human capital.

Labour market efficiency is low, and it is confirmed by an indicator of the efficiency of the labour market of the Global Competitiveness Index according to which Serbia recorded mark 3.9 and it took 119 place of 148 countries in the world in 2013. Defectiveness of the labour market expresses in terms of allocative inefficiency leads to loss of human capital. Human capital isn’t used adequately because the deployment of the workforce isn’t perform according to economic criteria, but rather on political or social ones, and it results in the reduction of human capital. The relationship between the productivity of labour and level of earnings is weak (Global Competitiveness Report 2014-2015, 2014, p. 335). Summing up, there is a situation of unclear relationships in terms of costs and benefits to individuals within the world of work so that the motivations for investing in education and acquiring job skills are lost. The dysfunctional market economy depends on previously mentioned problems. Links between quality and profit enterprises, or the quality of the workforce and the market position of the company are cut off by undeveloped integrated market; weak protection of competition, private property and contract; soft and political loans; widespread corruption; plentiful state aid and large public sector. Businessmen aren’t stimulated to hiring the best workers in order their businesses survive and succeed, but they look for and crate number mechanisms of survival by themselves.

The quality of education in Serbia is unsatisfactory, and the situation is unenviable in the case of the secondary and high education, while the situation is better in primary education. The low quality of education is confirmed by indicator of quality of education system of the Global Competitiveness Index of the World Economic Forum according to which Serbia was 111 places out of 148 countries in the world in 2013. Education in Serbia focuses to the accumulation of knowledge of students rather than developing the ability of solving problems and applying knowledge. The poor quality of higher education is of concern, considering the importance of higher education in the promotion of human capital, competitiveness growth and economic development. One of the key reasons of the low quality of higher education is a system of education funding. The current system of financing of higher education institutions in Serbia that it is based on the number of enrolled students leads these institutions to quantity instead of the quality as the fundamental purpose of education. The quality of education in management is also very bed, and according to the indicator of the quality management of schools of the Global Competitiveness Index, Serbia is on the 114th place out of 148 countries in the world.

Education isn't a market-oriented, and the links between educational institutions and businesses are weak. This results in surplus of some profiles with simultaneous deficit of other profiles. The situation is alarming in the case of secondary education. Due to the weak cooperation between domestic industry and educational institutions, a large number of people with secondary education can't find a job because they don't have the necessary competencies, knowledge, and skills. On the other hand, many employers, despite high unemployment, have difficulties in finding the adequate staff.

The efficiency of the education system is unsatisfactory. The dropout rate in primary school was 0,28 in the academic year 2012/2013, and secondary school it was 1,55% (Statistical Yearbook of the Republic of Serbia, 2014, p. 104). The average length of study at universities was 6,8 years in 2012 and it means that it was 2,3 years longer than it has been determined. Dispersal during education is present among the Rome and the rural population (Education Development Strategy in Serbia until 2020, 2012, p. 30).

Coverage of education is unsatisfactory. Coverage of primary education was 97,24% of the population in school year 2012/2013, secondary education was 88,5%, and higher education was 45,9%. (Statistical Yearbook of the Republic of Serbia, 2014, p. 104). Serbia is one of the few countries of Europe, where secondary education isn't compulsory, and this results in low coverage of education. The Roma population is low involvement in education, and accessing to education is also difficult in the case of the rural population (Education Development Strategy in Serbia until 2020, 2012, p. 29-30).

Informal education is poorly developed in Serbia. Number of adults aged 25-65 which involve in the educational programs of the informal system is insufficient, and it was 16,5% in 2011 (41% in the European Union). Educational programs don't focus on the development of the necessary competencies of the workforce. The quality of the educational services is unsatisfactory. The links between formal and informal education system are weak. Qualifications that acquired informally aren't recognized adequately in the formal education system and the labour market. Culture of lifelong learning is poorly affirmed in Serbia. The number of adults aged 25-65 involved in lifelong learning programs was 3,5% in Serbia in 2013, while the recommended level was 15% in the European Union (The Second National Report about Social Inclusion and Poverty Reduction in the Republic of Serbia, 2014, p. 153).

Serbia's health care system characterizes the poor quality of services, inefficiency and inaccessibility. These are all problems which contribute to the poor health situation of the nation, and thereby reducing human capital. The structure of the dying population of Serbia makes preventable and premature mortality dominant. Specifically, the most people die from cardiovascular diseases, malignant diseases, accidents and injuries according to the Republican Bureau of Statistics of the Republic of Serbia, which are all diseases that can be prevented, and these diseases affect people in the most productive part of life (The Second National Report about Social Inclusion and Poverty Reduction in The Republic of Serbia, 2014, p. 18). This structure of dying indicates poor quality of the health system and bad attitude of the population towards the individual health, weak prevention and bad life habits. Inefficiency of health system comes as a result of redundancy, poor motivation of staff and poor management. Unavailability of health services is expressed in the case of the poor, rural population, people with disabilities and for certain ethnic groups it is a consequence of geographic, physical, financial and cultural constraints.

Employers have inadequate attitude towards human factor and therefore to the human capital, which is reflected in the dominant methods of employment, the absence of investment in training workers and poor treatment of workers. The most common method of employing workers in Serbia is by friends and relatives, and it amounted to 34,3% in 2011, followed by employing via job advertisements 25,2%, through the National Employment Service 22,8% and other methods of recruitment 13,8% (Gijić, 2012, p. 123.). It is important to draw attention to the fact that employment in the private sector in a large extent is carried out also by friends, relatives and political ties. Companies aren't interested in investing in staff training. Employers see the training of workers as a liability and expense rather than an opportunity and investment for improvement of company performance. It is indicative that according to the indicator extent of staff training of the Global Competitiveness Index, Serbia occupied the 140 place out of 148 countries in the world in 2013. Indicator for cooperation between workers and employers puts Serbia on 144 place, and it points to poor attitude of employers and workers. Poor attitude of employers towards workers is reflected in the great exploitation of workers, low wages, avoiding the payment of salaries and contributions, unpaid overtime, disrespect of the employment contract, disrespect of the regulations on occupational safety, unethical quitting, mobbing, etc. Such an attitude of employers towards workers has resulted in a negative attitude of workers towards work, knowledge and working collective, and the final effect is a reduction in the quality of the workforce.

The low level of social capital in Serbia expressed in terms of a lack of confidence, poor social cohesion and an opportunism as socially desirable behaviour hampers increasing human capital (Golubović, 2014, p. 90). Good cooperation and high trust among community members increases the motivation for acquiring new knowledge and working skills (Blagojević, 2009, p. 8). Invest into the human capital is more cost-effective in an environment of high trust (Džunić, 2011, p. 65). Good social capital makes human capital more effectively and more valuable when it comes to its contribution in increasing labour productivity and economic growth. The weak social capital in our case induces reduction of human capital and it lowers its effectiveness.

Serbia's population had decreased by 350 thousand people in the period 2002-2014. Population reduction was caused by a negative natural increase or migration which affect the development of human capital since they reduce the human base. Very problematic is the mass migration of high-quality personnel abroad so called brain drain, since it represents a loss of quality labour, but also the loss of significant funds that the state has invested in the development of people. The negative impact on the development of human capital has the deterioration of the age structure of the population. According to the Republic Statistical Office of Serbia share of Serbia' population older than 65 years was 21,6% higher than the share of the population younger than 15 years old in 2012, and the average age of the population was 42,2 years (Statistical Yearbook of the Republic of Serbia, 2014, p. 36-37). These all point to a narrowing base of human capital.

Critical review of the significance and impact of improving human capital on economic growth and development in Serbia

Human capital is a key factor of economic growth and development (Petrović, 2010, p. 104). Improvement of human resources, i.e. knowledge and skills of people, is the key for increasing labour productivity and the competitiveness of the economy. The value of human capital reflects on the possibility of creating and supporting new technologies and it contributes to the technological development, meaning that it contributes to economic growth and development. Interdependence between the sector of education and scientific research sector is known. Highly educated workforce is a prerequisite for the transfer of new technologies from rich countries to less developed countries.

The positive impact of human capital in economic theory on the acceleration of economic growth is unambiguous. Experiences in the world show that countries that invest more in the education of people have a higher gross domestic product, faster and better economic growth, that come as results of growth of economic competitiveness. The situation is similar in the case of investing in the health of people considering that only healthy people can be really productive. The importance of human capital development in the modern era - the informational society - a society of knowledge, lies in the fact that each national economy and its competitive position in the globalized world are primarily determined by the quality of available human resources.

Highly developed human capital in addition to economic growth and development also contributes to social progress and political stability (Džunić, 2011, p. 62). Societies that are more educated function better than those whose individuals are less educated. The level of education is directly correlated with the level of crime in a society. High level of education of the population has resulted in lower levels of crime.

Human capital in Serbia, considering its low value, has a bad influence on the dynamic of economic growth, or it contributes to the slowdown of the economy. Economic growth forecasts of the World Bank and the International Monetary Fund for Serbia talk about bad prospects for boosting growth in this decade, and the background of the problem is the quality of the workforce as one of the key factors of low competitiveness of the Serbian economy. The lack of quality workforce and unfavourable structure of the labour force in Serbia hinder and impede economic development.

The contribution of human capital in Serbia to the growth and development of the economy is unsatisfactory. The mass of human capital in Serbia is an unused resource as a consequence of weak economic activity and high unemployment. Moreover, a significant part of human capital isn’t used adequately due to the slow pace of economic reforms and disposal, and the example of this is a significant surplus of employees in the public sector where the effective working time lasts only 4,5 hours per day.

The Serbian economy has been in an economic crisis for six years that is a consequence of too high consumption compared to the volume of production, and all that is a consequence of the absence of economic reforms “transition” and low competitiveness of the economy. Bearing in mind that the competitive position of Serbian economy is largely determined by the quality of the workforce, there is a need for improving human capital. Insisting on the cheap workforce, which is a key factor of competitiveness of the domestic economy, is a fatal because there is no high-quality and inexpensive human resource. If we want to have quality workforce, we need abundant investment in people by the state and private sectors, as well as, creating the conditions in which individuals have the motivation and interest to invest in themselves. Each opposing tendencies will have negative long-term effects to the economy and society.

Improving human capital in Serbia is necessary to support the growth and development of the economy. The relevance of improving human capital in Serbia is determined by stage of economic development. In fact, Serbia's economy has been transiting from the development phase which is based on fundamental factors to the development phase which is based on increasing efficiency. This phase of development of the economy is the one which is dominantly conditioned by human capital. The efficiency driven economy sees its competitive advantage in investing in the improvement of human capital by the development of secondary and higher education.

Upcoming changes in the economic structure of Serbia, in the direction of growth of share of technologically demanding industries, can't get off the ground in practice without adjustments in the structure of the workforce or improving human capital. Those are mutually coupled processes where the growth and development of the whole economy and individual economic sectors and branches depend and condition the development in terms of the quality of complementary human resources. Development prospect of the economy imposes the needs and the direction of development of human capital. The development of human capital in Serbia requires a change in the educational structure of the population in favour of higher educated, the improvement of health status of the nation and the improvement of the skills of people in order to improve the quality of the workforce.

Measures for the improvement of human capital

Improving human capital implies a set of measures and activities to be undertaken at the level of the state, economy and society in order to improve the knowledge, abilities and skills of people in accordance to the needs and demands of growth and economic development. Improving human capital in Serbia, with regard to the needs of the economy for highly valuable human resource, and the identified and analysed limitations of human capital development, includes the following priorities:

- Improving the education system and educational development;
- Establishing the system of training and working practices;
- Improving the health care system;
- Increasing the employment of the working-able population;
- Removing the defect of the labour market;
- Improving the general economic environment;
- Promotion of social capital.

Improving the education system requires the expansion of the coverage of education, increasing the quality and efficiency of education. Expanding coverage of education implies greater availability of education for all social groups, and especially for the marginalized social groups. It requires reducing financial barriers for students at enrollment, increasing horizontal and vertical mobility between different levels of education and implementation of the concept of inclusive education. One of the important measures aimed at increasing coverage of education is compulsory secondary education Greater coverage of education also requires better informing students about educational opportunities, transparency and promotion of education. Improving the quality of education requires a change in the system of education financing, or introducing the model of education financing in accordance with output parameters - the number and quality of graduates. Improving the quality of educational services requires improving the quality of teachers, the introduction of modern methods of teaching and learning and modernizing the educational space. Growth efficiency of education requires reducing the burden of students, improving the organization of the teaching process, better communication of education institutions and students, greater collaboration of professors and students, career counselling, financial support of students and other. The implementation of these measures and activities requires government support in the form of increasing investment and education from the current 4,5% of GDP to 6%.

Education is necessary to be adjusted for perspective of the development of economy and labour market demands. The focus must be put on higher education and the development of quality scientific personnel, followed by the development of managerial and entrepreneurial education. Achieving better integration between education and the labour market, or the compliance of offer and demand on the labour market, demands the greater involvement of employers in the educational process. Adjustments are necessary in terms of harmonization of educational profiles according to the needs of employers, the adoption of a national qualifications framework, the general harmonization of educational plans and programs according to the needs of the economy, and then conceiving enrolment policy to the real needs of the labour market.

The development of human capital in Serbia is connected with the application of the concept of lifelong learning. Education ceases to be time-limited, and it becomes a lifelong process, which should be promoted by the state. Improving informal education requires the establishment of an appropriate centre for education, improving the quality of teachers and better educational programs. The focus must be on retraining the unemployed, and it is especially young population.

Human resources are a key factor in the survival and the success of the companies in the modern age. Therefore, the employers have the interest to increase and improve this resource through training and working practices. Increasing private sector investment in training and working practices of employees requires state support in the form of financial incentives for entrepreneurs. There is a problem of efficiency and effectiveness of training, but also the problem of insufficient investment in training. Training of employees has insufficient quality, it is implemented sporadically and it isn’t strategically justified, but it is made when some operational problem happens, and all these results in weak effects of training into improving competences of employees. Overcoming the lack of the above mentioned, requires improving the quality of training and practices through financial, institutional and logistical support of the government or strengthening the capacity of the private sector in the implementation of training and working practices.

Improving the health system involves a long-term process of increasing the quality, efficiency and availability of the system. One of the priorities of health system reform is to change the way health financing. Health financing must be oriented towards a patient because it is the best way which leads to an increasing efficiency and quality of health services. Health financing, which has been a dominant so far, is oriented towards the staff so it gets poor results. Disease prevention and promotion of healthy living are essential for improving the nation’s health compared to the current poor healthcare system and poor health habits of the population. Increasing the accessibility of the health system requires better information about health rights and financing of health care of vulnerable social groups, with regard to poor knowledge and lack of health insurance are key factors of impeding access of the members of these groups to the health care system.

Increasing employment in Serbia is a priority of special relevance for improving human capital due to high unemployment. Human capital renews and increases through the work, and it loses and decreases due to economic inactivity and unemployment. High unemployment in Serbia is the consequence of negative trends of development and reform changes, or lack of development and regression in development trajectory as a result of the slowness, lack of transition and badly implemented reforms. In fact, high unemployment reflects the failure of transitional reforms. Unemployment also comes as a result of inadequate education system or the existence of a gap between the available and required knowledge and skills on the labour market. It is structural unemployment which can’t be overcome in the short term, but it requires time.

Increasing employment and reducing unemployment in Serbia demands quality and dynamic economic growth or long-term growth, labour market reform, improving the education system and the employment system. Improvements of human capital are primarily connected to the development of the economy or creating a mass of high-quality jobs and consequently a quality workforce through education and training.

Removing defects of labour market demands liberalization and institutional upgrading of the labour market. It is known that the adequate allocation of labour resources, in accordance with market principles, is one of the conditions of improving the quality of the workforce because it gives the true motivation. The favourable effects in term of increasing and human capital development are realized in condition of the free labour market, because then all market participants receive only what they deserve. The efficient labour market conditions gradation in quality which generates the true motivation.

Improving the economic environment in Serbia is necessary due to the poor economic situation in the country and the fact that a good economic and investment environment makes investments into human capital development worthwhile. Good economic climate and perspective make human capital more valuable. Improvement of the investment environment and business climate in Serbia requires macroeconomic stability, better protection of private and intellectual property, intensifying competition, reduction of administrative constraints, developing financial markets, construction and modernization of infrastructure, reduction of corruption and so on.

Improvement of social capital in Serbia as a way of enhancing human capital includes the process of democratization, building and strengthening the state institutions, the development of civil society, strengthening the rule of law, running the economy, establishing a more equitable distribution of gains and reform of the social protection system, and it is a long process of development of trust and strengthening social cohesion. Improvement of social capital in particular requires the reduction of poverty and social exclusion because they fundamentally undermine the human integrity, and thereby reinforcing the distrust thus they generate all kinds of social problems.

Conclusion

The level of human capital development in Serbia is low which is confirmed by the human capital index of the World Economic Forum according to which Serbia recorded a rating of -0,343 and stood on 85 position in the ranking of 122 countries in the world. Looking at the key components of human capital - education, health, labour and socioeconomic environment we see unsatisfactory ratings. The situation of human capital in Serbia is very bad in the case of labour and socioeconomic environment, while it is somewhat better in the case of education and health. Important information about the nature of human capital in Serbia provides an overview of the educational structure of the population as well as the educational structure of the sectors of employment and unemployment. The analysed facts indicate that the educational structure of the population is unfavourable, the quality education is poor, and that the competence of the great number of working-able population is unsuitable for inclusion in the labour market.

The low level of human capital development in Serbia is the result of numerous general economic and deeper systematic constraints. The long economic crisis and the absence of effective market reforms have resulted in deterioration and reduction of human capital. Obstacles to the development of human capital in Serbia can be summarized as follows: the low level of GDP per capita; the expected slow pace of economic growth in the future; low employment rate; high long-term unemployment; high youth unemployment; widespread poverty and social exclusion; poor educational policies, inadequate education, health and social system; non-functional market economy, defective labour market, weak social cohesion; disturbed value system and so on.

High-quality workforce forms the basis of competitive advantage of the most developed countries compared to less developed countries and developing countries. A quality workforce is a key condition for increasing the nation's wealth in a world affected by the process of globalization, transition, scientific and technological revolution. Countries that invest more in education and health have a higher gross domestic product per capita than those countries that are unable or unwilling to do so. Serbia is one of the developing countries and a factor of the poor quality workforce is the key one that contributes to the maintenance of such awkward position. It can be concluded that the importance of a valuable workforce for of Serbian economy is outstanding and it is especially important if the state wants to improve its competitive position, and thus the development position, increasing the wealth of the nation, citizens' standard of living and improving working conditions.

Improving human capital is a complex and long-term process which requires an increasing the educational level of the population, development of competencies of employees and potentially employable persons in accordance with the needs of economic development and growth, and improvement of the health status of the nation, or raising the level of human capital. Improvements in the case of Serbia are expedient in terms of the goals of education, the education system, health system, completing the forming of the training system and working practices, creating the conditions for greater employment of the population, increasing the efficiency of the labour market and the establishment of a functional market economy, improvement of the economic environment and the improvement of social capital.

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SOCIO-ECONOMICAL CONSEQUENCES OF NARCOTIC MISUSE REGARDING FAMILY AND ECONOMICAL ABILITY OF ONE SOCIETY

Abstract

All of the negative social phenomena that are related to abuse of narcotic drugs by the drug addicts and drug mafia, and all the more the illegal producing and distribution toward school children and youth are becoming the constant follow of society and one of the factors of slowing down the social-economic development of countries (especially those in transitional period). In order to better oppose all shapes that are putting safety at risk, socio-medical illnesses and terrorism on drugs, our society needs to organize all of the subjects in order to implement measures for their timely and legally stopping. That's why it is needed to explain this phenomena of abusing narcotic substances and psychoactive substances or PAS to young people in theory and in practice from a different aspects. Based on the received answers and their conclusions we can choose suitable measures, means and actions as an adequate social reaction on negative phenomena related to drug abuse and psychoactive substances.

Keywords*: narcotic drug, psychoactive substance, narcotics, narcotism, addiction, prevention, social pathology.*

JEL classification: Z1, Z13, Z19

СОЦИЈАЛНО-ЕКОНОМСКЕ ПОСЛЕДИЦЕ ЗЛОУПОТРЕБЕ ОПОЈНИХ ДРОГА НА ПОРОДИЦУ И ЕКОНОМСКУ СПОСОБНОСТ ДРУШТВА

Апстракт

Све негативне друштвене појаве везане за злоупотребу опојних дрога од стране наркомана и нарко мафије, а посебно илегална производња и дистрибуција која је усмерена ка школској деци и омладини, постаје стални пратилац друштва и фактор успоравања социјално-економског

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развоја држава (нарочито држава у транзицији). Ради што успешнијег супростављања свим облицима угрожавања безбедности, социјално–медицинској болести наркоманије и нарко-тероризму, наше друштво, треба на благовремен и потпуно легалан начин да организује све субјекте у спровођењу мера за њихово заустављање. Зато је потребно овај феномен злоупотреба опојних дрога и ПАС, нарочито код младих разјаснити теоријски и практично са различитих аспеката, како бисмо одговорили на многа питања. На основу добијених одговора, и потом изведених закључака, могу се одабрати адекватне мере, средства и поступци, као адекватна реакција друштва на негативне појаве везане за злоупотребу дрога и ПАС.

Кључне речи: *опојна дрога, ПАС, наркоманија, зависност, превенција, социјална патологија*

Introduction

Being the case that many types of PAS (attractively designed) and narcotics which are easy to obtain are offered to children and youth even since their elementary or high school days [Jović, 1997; Dimitrijević, 2002] we come to have a very large number of young addicts. The youngest recorded addict is nine years old, and from the overall addict population, 20% are between the ages of 12 and 15 [The evaluation narcotic, 2005]. The use-misuse of narcotics and PAS (narcotism) is ever-present in all of the life segments. It jeopardizes health and the individual's development, destroys the family, educational system and the country as whole.

As it is already known, the decision of using narcotics and PAS comes from the cerebrum cortex, which is managing the logics and rationality, it is clear that the young person who passes through a rough period of development (adolescence) is not capable of making clear and reasoned decisions which only makes the dangers of narcotic and PAS misuse higher.

The misuse of narcotics and PAS is considered to be "every use of narcotics and PAS that is not in accordance with law and social norms." The mechanism of beginning to misuse narcotics and PAS in other words, the beginning of psychophysical or psychological and/or physical addiction (narcotism) is developing in the constant interactive actions of three main factors:

1. The individual with his biological – psychological – social state and status (health, living conditions, age, upbringing and education),
2. Environment with its socioeconomic potential (customs, habits, family, school, local community and extended social community), and
3. Substance with its pharmacological properties and various potentials (111 different substance types, WHO).

This means that when we have all of these conditions and close the circle between these three interdependent factors, there is a higher probability that, a young and curious individual who still do not have its character formed will, be it because of psychophysical deficiency or any other current stressful situation accept the offered narcotic, if only for the sake of trying. If by that first try the individual senses any kind of change, some kind of relief so it can even for a short amount of time forget on its enchanted circle of problems, that young individual will continue with taking the narcotic drugs and PAS while entering the dangerous circle with only one thought on its mind- to take another dose. This is the time when medical, social problems start - the addiction disorder, this inevitably leads to the economic problems of an addict with socio-pathological characteristics of behaviour. This behaviour induces the spreading of narcotic drug addiction in the speed of geometrical progression and that is the reason why it took on an epidemic-pandemic character at the end of the 20th century.

The consequences for the family of an addict

At the very beginning, we should pay attention to the two global processes who, with their influence encroaches into socioeconomical condition of today's family. The general education of society and socialization of almost all family functions, and when we add the influence of overall factor affects of plurimedial and virtual ways of shaping the population to these two, especially the young we still get an insufficiently established and assumptive qualitative effects for the future socialization processes and the overall outcome that we need.[Polovina, Bogunović, 2007] This said, it is needed to have a general change regarding the socialization, which will be of great importance for the family and individual, in other words, upcoming generations in our country, Republic of Serbia. These factors today are under the specific influence of transitional processes which induces more risks on all levels on social development starting with socio-economic, healthcare and security system of a society and the country in global. Due to aforementioned it is clear to see why the increase in negative phenomena is more and more present on the territory of Republic of Serbia. In the urban as well as in the rural environments. In this pleiad of negative phenomena the misuse of psychoactive substances and narcotic drugs is among the top leading ones on all levels of social ladder with its long-term and sometimes even deadly consequences.

As much as socio-psychological and economical consequences are disastrous for the addict they are also ruinous for the whole family.

The negative actions of an drug addict (skipping classes, leaving regular education, idleness and even heavier socio-pathological acts) collapses the stability and status of an individual and then the family in whole. Absence from one's workplace or even leaving the job due to the emerging situation leads to the disappearance of monthly or yearly incomes which further leads to falling into a difficult economic position of the family because of the growing needs. The ruining of socio-economical status of an individual and its family is inevitably followed by medical disorders in other words, negative influences of PAS and narcotic drugs, first on individual systems of an organism and then on to vital organs, (depending on the type and quantity of drug ingested) and the degree of addiction or the time span of poisoning. Depending on these, the method of treatment and the institution where the treatment will be carried out, as well as economic-financial needs of ones family are decided.

There is a proverb: "When the one member of the family is sick, the whole family suffers." The misuse of psychoactive substances and narcotic drugs indubitably leads to relation disorders in the family, socio-economic and health decline, violence, and in the end the family breakdown.

Disrupted relations

The bare knowledge of a narcotic problem in the family by any family member leads to a sudden and heavy relation disruptions beginning with its basic function of upbringing and security until the complete shattering of its unity.

The most important role for social maturation of a child from its birth until the inclusion into collective (school) belongs to the family. [Mikelić, 1965, p.180-201] Here is the place where the child acquires the basic norms of behaviour: feeding, hygiene, discipline and the collective sense until the enrollment in school. After that, the school becomes the house of education and further upbringing in which the child continues to acquire knowledge, and the whole process of continuing the work where the family left off. Regarding the biologic-psychophysical development of children and maturing adolescents for the comprehension and acceptance of basic and popular social norms, beside the family, the school has an important and decisive task in that period.

The large share of the influence on family and school today has the country with its norms which are created by forming the overall system. We can say that the social system of today is much stronger in determining socioeconomic status of an individual that that of earlier decades. It represents one of the most important factors of which depends the forming of one’s character [Rot, 1963, p. 144-164] since it governs the family and social relations**.**

The problem of today’s society is much bigger because it is burdened with changes which are specific for modern civilization, as well as the own country’s burden in transition where the misuse of PAS and narcotic drugs is becoming more frequent and is spreading at epidemic speed.

The misuse of PAS and narcotic drugs by children is one of the worst things that can befall two parents. It leads to sever frustrations and even more severe pathology. Because of the present problem the family starts to avoid cousins and friends, which can be seen as conditioned alienation. Whatever work the parents are having they become antisocial, make mistakes at the workplace which is making the whole situation even more difficult. This can go as far as losing ones job and then surely the constant source of income. Among the family members there comes to negligence of workplace, school and other obligations which in turn creates tense and depressing state which can be a prelude to disorganization of one’s family.

The relations inside the family become quite confusing, varying from the mother’s need to protect to father’s pathological actions (alcoholism – I don’t want to know for you existence so go live on your own) which is increasingly making the state of living for every member of the family more difficult then it was. This leads to a complete disruption of all of the positive attitudes that can help in coming out of the crisis of the addict and his family.

Domestic violence

The family that we know of today is a modern achievement behind which stands a long process of evolution. This is why we can rightfully say that it is the oldest and longest-lasting and also a changeable social group which is founded on sexually, bio-reproductive, protective, educational and upbringing and economic relations of a woman and a man who are interconnected by marriage [Group of authors, 2006, p. 81-109] or the illegitimate relationship.

The authority question in sociology and especially in sociology of the family is considered in context of the patriarchal family. Today, regarding the world changes who are directly or indirectly reflecting onto socioeconomic and security changes in our country we can make a typology of families like:

- Traditional or patriarchal type of the family (The name “Patriarchy” is derived from the world patriarch, which means the elder, from the Greek compound of patria (tribe, kin, family tree) and архус (leader, ruler) which is surely one of the oldest family types. This kind of family order in its different varieties is stretching back from today to the antic country’s communities. The family order in patriarchal family is asserting the father’s authority.
- The transitional type of a family where we can see the noticeable differences when compared with patriarchal-traditional type. It shows more freedom, open communication negotiations.
- The participative family type where the main elements are- mutuality, partnership and togetherness. All of the members are equally participating in organization of overall (socioeconomic) family life.

With its influence (direct or indirect) the social system of today is strongly affecting transformation of traditional family and some kind of surrogate (homosexual partners are getting married and adopt children, so it is not usual to say father or mother anymore, instead it is better to say one of the parents, feminism, emancipation of women etc.) which results in decreasing number of families family members, which leads to increase in family pathology. Industrialization, urbanization, migrations and many similar phenomena are contributing to the ruining of traditional and well tested forms of family organization which directs to disorganization and disintegration and at the same time has a bigger influence onto nature and frequency of domestic violence.

The presence of psychoactive substances in family in the form of any of the aforementioned types and prototypes is an initial phase of depressing, unstable and frustrated state which leads to violence. This is confirmed by the drug addicts who was at treatment in Special hospital for the addiction treatment where they found out many similarities and differences among the families of the patients. [Special hospital for substance abuse - Belgrade]

Domestic violence has a wide variety of negative elements of behaviour: verbal threats, impudent and violent behavior, psychological violence-saying depreciatory words until we run down the individual and physical violence with mild or sever injuries which can often end in killing the person. In certain members of the family the emotional violence is also always included, following all of the aforementioned segments. This kind of violence is mostly expressed in children.

Sexual violence can be described as multiple violence since it is most often comprised of physical and psychological violence with the possibility of bio-physical complications in the person who was violated.

Mental and behavioural disorders that are initiated by the use-misuse of alcohol (WHO-F10), are taking up the high place in the topics of social pathology and medicine in the world and here. Domestic violence [Ristanović, 2002, p. 77-82] caused by the misuse of alcohol is most often directed toward one's wife (pathological jealousy), and then to other family members- children, mother and father. The main factors are of psycho-social and economic nature:

- Psychological - the pathological jealousy of an alcoholic,
- Social – the status of the family and its members is being degraded (the avoidance of cousins and friends, losing the job, etc.)
- Economic – the high spending of a house budget while the incomes are low or non-existent.

Domestic violence is present all over the world, however the reliant data-register of violence over women and children does not exist. Without the adequate prevention and following of present pathology, the violence remains a concealed problem. Physical violence makes 70% and those are the most extreme forms of violence over women (head injuries, nose fracture, arm fracture, etc.), especially over pregnant women and breastfeeding mothers. The violence is most often carried out by men (husband, ex-husband, partner) and that is in 78%, followed by sons with 9% and fathers with 4,2%. The daughters take on the violent role in 2%, boyfriends in 1,8%, while the mother and mother-in-law situations are present in 1,6% of cases. Younger and middle-aged women are the ones who suffer violence the most, while the ones aged 60 and over are most often terrorized by their sons.[www.savetovalisteprotivnasilja.org/active/sr]

Economic-social decline

In the previous paragraphs we have talked about the negative influences on an individual and the family in terms of using psychoactive substances and narcotic drugs. Following this the damaged family leads to weakening the whole family system so they become dysfunctional in the eyes of one society. Alcohol which enters the body in form of rakia or vine is acting as a toxicant on the nervous system and brain cells. This is why (the male or female person) under the influence of alcohol (tipsy or drunk-under narcotics) is not able to think rationally, in other words to normally and professionally perform tasks or everyday chores. It is general knowledge that that kind of person is prone to uncontrolled psychophysical actions and pathological phenomena which starts with verbal conflict and in time grows into physical violence over the entire family. This kind of incidents often end with murder.

Regardless of what kind of person and what age we are talking about, the use-misuse of the alcohol in itself beside the many losses is also creating the financial ones which are pushing the individual into economic downfall. Addict in time increases the dose-quantity, intensify his intoxication and by doing this doubles the house budget expenses.

Table 1. The prices of alcoholic and non-alcoholic beverages 12.12.2010.

Beer	106,90 din.	Coca-cola	105,00 din.
Vine	639,90 din.	Cola	98,00 din.
Vine (Riesling)	174,90 din.	Clear juice	82,00 din.
Vine (dry)	544,90 din.	Mushy juice	109,90 din.
Rakia	559,65 din.	Mineral water	42,70 din.
Vodka	499,90 din.	Soda	76,90 din
Small bottle (rakia)	60,00 din.	Canned soda	53,00 din.
Whiskey	1499,99 din.		

Source: The data obtained by researching the price fluctuations on market

Due to closely interconnected economical-health-social factors today is really difficult to define a precise place at the scale of importance for individual and family when forming and developing a healthy family: What is more important, the economy or social status?

The use of alcoholic beverages in the past was limited to a close circle of (matured) people and under special occasions (holidays, celebrations, etc.) in small quantities. On Balkans (former Yugoslavia) and its surroundings, it is known what kind of beverages are used regarding the ethnic / geographic territories and customs. In such a way Slovenians like drinking beer and vine the best, Croatians vodka and white vines, Bosnians local rakia, Montenegrins vine, Macedonians mastic and local vines and in Serbia the local rakia is most widely used, the Greeks like metaxa brandy while Albanians are enjoying Albanian cognac-Skenderbeg.

However, nowadays everyone drinks everything, without any special choosing and control so the number of consumers is higher and at the same time the consuming of alcoholic beverages is also on the rise. Also, the biggest number of consumers can be found among the female population. Here is one example from a technical school form 10.12.2010: During the class a third grade girl (17 years) has shown indecent behaviour with her friends wherefore they were thrown out from the class. After this they went to market to buy a new amount of beer and other drinks and went to a park behind the school where they continued drinking. As an excuse they said that it was a friends birthday. The girl (M.S) drank so much the she had an uncontrolled need for urination. The ambulance did their part of medical assistance, the returning to a normal medico-psychophysical state and releasing to a several days home treatment. This is just one of the similar and many examples of using-misusing alcohol (alcoholic beverages) among the scholars and youth which can additionally aggravate the already disrupted family state in economic-social terms.

Table 2. The types and the consummation level of alcohol in high school children

What kind of drink do you drink most often?			
Variables	**M**	**F**	**Overall**
а) Mix of juice and alcohol	40 (18,43 %)	35 (13,89 %)	75 (15,99 %)
б) Just beer	55 (25,34 %)	25 (9,92 %)	80 (17,05 %)
в) Just vine	11 (5,07 %)	25 (9,92 %)	36 (7,67 %)
г) Strong liquor	20 (9,22 %)	30 (11,90 %)	50 (10,66 %)
д) Combination	27 (12,44 %)	36 (14,28 %)	63 (13,43 %)
ђ) I don't drink	63 (29,03 %)	101 (40,08 %)	164 (34,97 %)
Overall	**217**	**252**	**469 (100 %)**

Source: Data obtained from the research we conducted.

It is scientifically proven that the adverse effects of alcohol have influence throughout the entire body, more so in children and youth (adolescent) who are still in a phase of development. During this period the vital organs suffer the most damage.

Therefore, when we talk about the economic-social decline or degradation of an individual and then the family it is important to stress out that the misuse of alcoholic beverages (especially in young) is followed by far-reaching and immeasurable consequences.

The boys and girls are having a hard time deciding whether or not to form a family. Those that are dissatisfied by their income in marriage often become addicted to some negative phenomena which leads to a family breakup. If they have children they become assigned to a more responsible parent by the law regulative (which is in most cases mother). This further leads to a creation of social cases which are a burden to the parents, children and the society as a whole.

The misuse of alcohol carries many deviations, like the attempt of murder and suicide, which are very common in cases of acute intoxications. Regarding this and some statistical data (RSZ) it is confirmed that the life span of an alcoholic is ranging from 35 – 55 years, the best years for providing to a family and society in the most successful way. [Vujović, 2006, p.64-77]

By analyzing many up until now shown and confirmed effects of misusing psychoactive substances and narcotic drugs (natural or synthetic) that are having far-reaching economical, medicinal and social consequences [Petrović, 1983, 61-68] we have come to a conclusion that: all individuals, be they of male or female sex under the influence of PAS and narcotic drugs are, according to all of the psychological-social criteria going to the extremes, from social to antisocial and thus from a healthy person they become conditionally sick individuals.

It is not hard to deduct that the presence of an alcoholic (3,4% out of the total number of residents- 238.000 people are a regular consumers) leads to a high probability of a possible danger to the individual-addict and at the same time a family as well, like the presence of 35-50 thousand drug addicts (in Belgrade) could pose a threat to 50 thousand families. Beside this the lives of drug addicts are also endangered as are the lives of other citizens of Belgrade. In the Republic of Serbia as a whole, that number reaches 80-100 thousand of addicts. From the aforementioned we can conclude that, on one side, the addicts themselves are economic-medicinally and socially endangered and then their family as well, while on the other side, the society and country become economically burdened by primary and secondary prevention. After this the security of one's country is also at risk due to organized crime and money laundering that is obtained through the illegal drug trafficking, prostitution and many other socio-pathological phenomena. Thus, we can rightfully say that the misuse of PAS and narcotic drugs is a multilayered negative phenomena.

Any member of the family who gets into a whirlpool of PAS and narcotic drugs is leading one's family to the economic downfall (the buying of PAS and drugs, other expenses that follows), jeopardizing or losing the social status (avoiding of family and friends, conflicts with the law, penalties- monetary and prison sentences), therapy that is expensive and long-term and at the end the possible physical loss-death of an addict (the life span raging from 25 to 35 years) which can be induced by overdosing, committing suicide, gunfight among the drug criminals.

Family breakdown

In the family of an alcoholic (father, mother or both) there can be many relation disorders which are, at the beginning followed by verbal fights (psychological violence), physical fights (psychophysical violence) and at the end by temporary separations or divorce. Children in those families do not have the necessary conditions for psychophysical development, they often suffer throughout their childhood. Some of the children takes over the roles of their parents, displaying various behavioral disorders. Many of them neglect or even leave their schools while a small number gets obsessive with learning and/or sports and achieve better results then before. A great number of children themselves become alcoholic following the examples given by their parents. [Gačić, 1985, p. 90-112]

Constant or exaggerated consuming-misuse of alcohol is interfering with or completely disabling the successful functions of a family life starting with marrying, giving birth, nurturing and educating of children and care for the elderly (parents). It can be said without a doubt that the one who is not able to take care of oneself and his behavior cannot in any case take care of someone else. After piling up of the problems from previous periods and the next ones coming in, the solutions become delayed or completely ignored thus leading to a family disruption. The situations like sudden and unforeseen crises in the family life per example- sudden death caused by overdosing or a suicide are especially difficult to deal with. This crises are involuntary, non-developmental and cause disorganization of every family who has an alcoholic within it. [Stanković, Begović, 2009] Regardless of the difference between and alcoholic and drug addict the results are the same: they go through the similar conditioned-involuntary phases of addiction, treatment attempts, relapses and, in the end the disruption of the family as the most difficult phase of ones life followed by constant fears and anxiety. REFERENCE U SREDNJIM, A TREBA U MALIM ZAGRDAMA

The misuse of PAS and narcotic drugs (natural or synthetic ones) leads to disorganization of the whole family system. Drug is a substance which degrades the psychophysical structure of ones character, disrupts the family and eventually, kills. The drug misuse is in a causal connection with many socio-pathological phenomena in children and youth but also in more mature-adult persons-addicts, beginning with juvenile delinquency, stealing, robbery, prostitution, suicides, murders and other felonies. Previous experiences are showing that the drug and criminal are closely connected to one another. [Nikolić, 2000] The healthy families become disrupted in the same way, when any of the members get involved in this world of drugs or the families that are already fro some reason having the socio-medical and economic problems. The first to get influenced are the children or risky family situations; children of divorced parents, children of single parents etc.

This researcher has much personal experience with professional working with kids and other experiences with the families of drug addicts that confirms the attitude that the beginnings may be different [Group of authors, 2006], as well as the processes but the outcome is the same: death of a drug addict (35 years old, left two kids with their grandparents, the mother-wife's whereabouts are unknown). The second case: student-drug addict, after finishing three years of school (qualified worker after three years of secondary education) dies of an, clinically proved case of overdose. The parents divorced-disrupted family. We should also mention the father from the case of an young drug addict who did all he could to save his only son from the claws of addiction and died in his 60 years of life (before his time), while the son is to this day still on the various medications, trying to sustain his life without a family, laugh or joy on a country's budget.

There are many similar or different family stories with the same outcome: the family is socio-economically disrupted and medical-biologically destroyed.

Conclusion

The main factors that are initiated by the drug misuse and are contributing to weakening and stopping the overall development of an individual, family and the entire society are:

- Unfinished education, because at one moment of the initial phase of addiction the addict-adolescent is leaving his regular education, transiting to an extramural education which becomes the financial problem for the family and inflates society problems.
- Not finishing the school, lack of work habits and the losing of capability to work becomes a social case and a burden for the ones that are employed,
- Since he is professionally left behind there is no way for him to advance and develop unless it is a very narrow circle of the company he is currently working at,
- The work of every addict in the very beginning, during or after the addiction experience, if he ever become involved in to a social life after all of that is on a lowest degree of utilization,
- Because of the social-economic changes and the problems caused by them the number of unemployed persons is at a high level, which leaves very small to no places for a work activation and resocialization of addicts,
- Beside the overall crises that gives birth to the indecisions of the young regarding the entering into marital relations, forming and expansion of family, the drug addicts are having additional difficulties beside socioeconomic and health ones which leads to the downfall of demographic social capabilities,

- Next to all of the difficulties - social, health, educational, security and others the economic ones are a additional expense for the society regarding the staff, correctional facilities and prisons.

It is important to say that this is just the part of consequences, which along with some other ones are making the difficult occasions toward the already weakened state of the economy even more difficult. There is no economic development and improvement without the healthy individuals, there is no contributing to a financial regeneration without the psychophysically healthy and professionally trained workers. It is without a doubt that the endangerment of the young generation of PAS is endangering the correct development of an entire society and lessens the potentials of one country.

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TRADE POLICY IN NEOLIBERAL ERA

Abstract

The aim of this paper is to study international economic relations and the position of developed and undeveloped countries within them. We will show that existing social-economic order – represented by the neoliberal phase of the capitalist world-economy – unequally treats countries and that it has established institutional framework to maintain that state. This situation condemns certain countries to permanent poverty. The subject will also deal with the criticism of neoliberalism and neoclassical and ricardian philosophy of free markets and a competitive advantage in the context of international trade. Moreover, we will emphasize the fact that neoliberalism causes numerous economic and social inequalities, and that developing countries have a narrowed maneuvering space for an autonomous trade policy, because they are in a subordinate, often neocolonial position.

Key words: *trade policy, neoliberalism, undeveloped countries, free trade, inequality, inferiority.*

JEL Classification: B5, F1

ТРГОВИНСКА ПОЛИТИКА У ЕРИ НЕОЛИБЕРАЛИЗМА

Апстракт

Циљ овог рада је проучавање међународних економских односа и положаја развијених и неразвијених земаља у међународним трговинским и финансијским односима. Показаћемо да постојећи међународни друштвено-економски систем – оличен у неолибералној фази светског капитализма – неравноправно третира земље и да има утврђени институционални оквир за одржавање таквог стања. Тиме се поједине земље осуђују на трајно сиромаштво. Предмет ће бити и критика неолиберализма и неокласичне рикардијанске филозофије слободних тржишта и компаративне предности у контексту међународне трговине. Такође, апострофираћемо и чињеницу да неолиберализам производи бројне економске и друштвене неједнакости и да неразвијене земље имају знатно сужени маневарски простор за вођење самосталне трговинске политике, јер се налазе у подређеном, а често и неоколонијалном положају.

Кључне речи: *трговинска политика, неолиберализам, неразвијене земље, слободна трговина, неједнакост, неравноправност.*

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Introduction

Since its beginning until now, capitalism has been going through different development phases. Its roots can be traced back to the Middle ages (V-XV century) in the area of Western Europe, when the Netherlands and Great Britain started to form massive organized markets, large companies, stock exchanges, banks, insurance companies, etc. The ways in which different market subjects accumulated capital also determined different capital development phases. *Neoliberal* or *financial capitalism* is the last phase in that development; when the financial asset ownership becomes more lucrative than the organization of industrial production, private ownership most powerfully represses the state and the public ownership, when the economic and social stratification occurs, deindustrialization, the prominence of services, the annulment of social state functions, etc.

Neoliberal capitalism development phase affects the international economic relations (global trade and financial flows), which obviously have the impact on deepening the economic gap between developed and undeveloped countries[3]. This makes the unequal position between country members in the international trade and financial relations, condemning them to the sectors with low accumulation and the bare support that the developing countries should act in the process of supplying the developed countries with the low-cost resources. Thus, neoliberalism precludes the undeveloped countries in the independent economic and trade policy choices, which guarantees them the exploitation and puts them in advance in the unjust and subordinate role in the world hierarchy.

In the context of the European Union countries, the situation is such that a Southern and an ex-socialist countries ("transition economies"), due to the technological lag, are not able to compete with the developed and prosperous "centre" of Europe. "Periphery countries" do not manage to pay off their debts on the basis of the export and thus maintain the level of exchange rate and are forced to defend it by the other resources: by loans, privatization of state companies and natural resources, consumption reduction, wellfare state functions reduction, etc. In order to pay off their debts, "periphery countries" must assume the additional debt, which becomes self-perpetuating damaging circle without the exit. The goal of this paper will mainly be to enlighten the influence of the neoliberal capitalism phase on the international economic and political relations, especially emphasizing their consequences in terms of the trade policy of the developed and undeveloped countries.

The consequences of neoliberalism

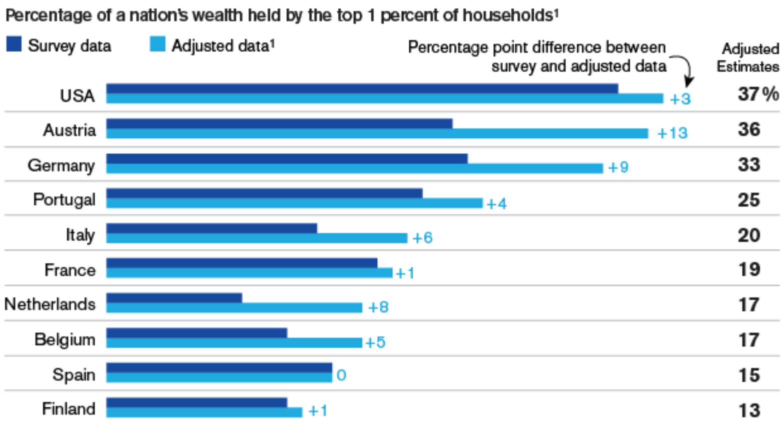
Neoliberal philosophy and liberalism lean on the liberal philosophical tradition and neoclassical economic theory. Its followers focus on the radical individualism, economic liberalization, deregulation, "free markets", the reduction of state and its institutions' role in economy and the public sector companies privatization, the annulment of the social state institutions and its social security network, etc. Neoliberal economic views are shared by neoliberal philosophers and neoconservatives, who obtain the support for their economic program by most academic economists (educated mainly in neoclassical tradition) (Bukvić and Pavlović, 2014). Key political and economic neoliberal narratives are: economic and market activities deregulation, privatization, commodification and human activities commercialization.

In practice, it means the annulment of the state regulations and control over the private business enterprises so as to make them more profitable, and also the state power seizure to intervene if social damage and adverse externalities occur, which can happen as a result of the profit logic application. Neoliberalism offers intellectual support and legitimation for the protection and promotion of private interests of large companies and a small number of the rich individuals striving to put into their hands the increasing quantity of social, political and economic life – under the excuse that the most productive individuals should be awarded due to their entrepreneurial spirit, which contributes to the general wellfare. Neoliberalism effectively puts personal interests of the owners of capital above the community interests to which they belong, and the profit motif becomes more important than the community welfare itself (Perić, 2015, p. 68). Neoliberalism is an attempt of returning the proportion of income distribution to the capitalist class on the level before the World War II (Kristal, 2010).

Authors G. Dumenil and D. Levy (2004) underline that, since its beginning, neoliberalism has been the restauration project of the society class stratification, economically and socially empowering the privileged individuals. After the neoliberal policy implementation at the end of 1970s in the USA, up until today, the affluence of the most wealthy 1% population has grown by 37% of the realised income (see Graph 1) – which has surpassed the level before the World War 2.[4]

The gap between the worker's wages and the compensations for management sharply increased, tax reforms contribued to the income tax decrease for the welthiest population, taxes on incomes from investments and capital yields have continually been decreasing, while taxes levied on workers have been incresing. All these represent the measures of the neoliberal policy that contributed to the current picture of today's world, and inequality and unfairness have been streching in the sphere of the international economic relations, where the countries have been given the status of developed and undeveloped in accordance with their geopolitical position.

Graph 1. The affluence of the most wealthy 1% population



Source: Smialek, J. (2014) "The 1% May Be Richer Than You Think, Research Shows", *Bloomberg*, August 7th, http://www.bloomberg.com/news/2014-08-06/the-1-may-be-richer-than-you-think-research-shows.html (last access 23. 03. 2015).

Neoliberalism *economistically* treats public interest, while liberal philosophers often use metaphors about the balance, equilibrium and self-sustainance of the social system drawn from biology and physics, comparing the social system to the living organism structure or the matter structure, magnetic field, etc; in order to keep *status quo* of the existing social and economic relation framework, and in order to emphasize the state intervention needlessness in the social and economic sphere. As the cells in living organisms conduct their task without direct aware intentions, which finally contributes to the maintenance of the whole organism, the same also happens to the unregulated market that has “invisible hand” leading the complete society to prosperity. Also, by way of neoliberal intelectual and ideological engineering are the activities such as services in trade and financial intermediation rehabilitated and put at the forefront – they have also become the most lucrative – while they used to be stigmatized as something exclusively done by the greedy and morally inferior people.

By glorifying the individual values and justifying greediness, neoliberal philosophers and economists fall into the trap to justify something that can be called *anti-social radical individualism* (that can also be called *vulgar individualism*), characterisic for the end of the XX century and the beginning of the XXI century, when profit actually became more important than the people[5]. Yet, the consequences of the neoliberal economic policy are not visible in modern economy at first sight. That is because of the so-called virtual economy, i.e. “parallel dimension” of finance that exists today and functions well independent of traditional industrial (“real”) economy. Actually, with the help of *financial alchemy,* the creators of economic policy are able to raise the household standard, without traditional growth models and investment in industry. The example is the USA that significantly deindustrialized (moved the industrial production mainly to Asia due to the cheaper workers and raw materials), and their strategic export products are now financial innovations and the dollar as the world reserve currency; and, alhough there are negative influences on the gross domestic product due to the loss of jobs, one part of that is ammortized by the large incomes and profits of the international corporations and financial sector. On the other hand, living standard decline of the widest population is counterbalanced by the increase of household debts and *the wealth effect* (Perić and Jošanov-Vrgović, 2014). In the first case, it is erosion of credit bank standards to qualify more debtors for loans, while in the other the capital gains due to the increasing prices of financial assets that belong to households. Furthermore, in some countries (mainly undeveloped) the artificially high exchange rate for domestic currency has been used, so that population could spend more imported goods, which of course contributes positively to the living standard, but also emphasises the question of financing deficit in balance of payments, so the countries become indebted (or sell their resources and state-owned companies). The advantage of the neoliberal model is reflected in the temporary preserving or even increase in living standard, but it also gives rise to the negative consequences of inflation booms and blowing up of speculative financial bubbles.

All of the above have repercussions on the trade policy of the developed and undeveloped countries, which will be discussed further.

Trade policy of the developed and undeveloped countries

International trade organized in the existing institutional frames causes trade and financial disbalances that can be designated as the economic disbalances as well. In accordance with the topic of this paper, we will focus on the trade aspect of the economic inequality and thus explain that within the undeveloped countries there is no necessary space to conduct the independent trade policy in the current international trade relations.

Trade disbalances occur when deficits or sufficits in the trade exchange in some countries or wider geographical regions reach high levels, while not corresponding to the relevant changes in the countries or the regions exchange rate. Hence, if there is the prolonged deficit in the international trade exchange, sooner or later, exchange rate of domestic currency will be lowered. If the corrections do not immediately occur – as is often the case – the international economic disbalance occurs, reflected as sufficits or deficits on the international trade current accounts.

Neoclassical economic school of thought and neoliberal orthodoxy argue that the recipe for the economic growth and state prosperity lies in the adoption of measures of the so-called *Washington consensus,* the adoption of the economic measures like: customs abolishing, “opening of the economy“,“free markets“, „integration into the global economy“,“free trade“, etc. However, those measures did not bring the expected growth, but caused the additional wide population empowerishment in the developing countries (undeveloped countries), which further strenghtened the difference in wealth and economic power distribution between developed and undeveloped countries. In that context, the economists of the 18th century were more advanced that the current neoclassicals, when they claimed that the country in a starting industrialization phase should use the advantages of the autharic development so as to protect its young industries from the global competition, because competition – besides the evident stimulating effect on the efficiency – has destructive characteristics regarding the market subjects tendencies to „suffocate“ their own rivals in order to accomplish monopoly profit and monopoly position.

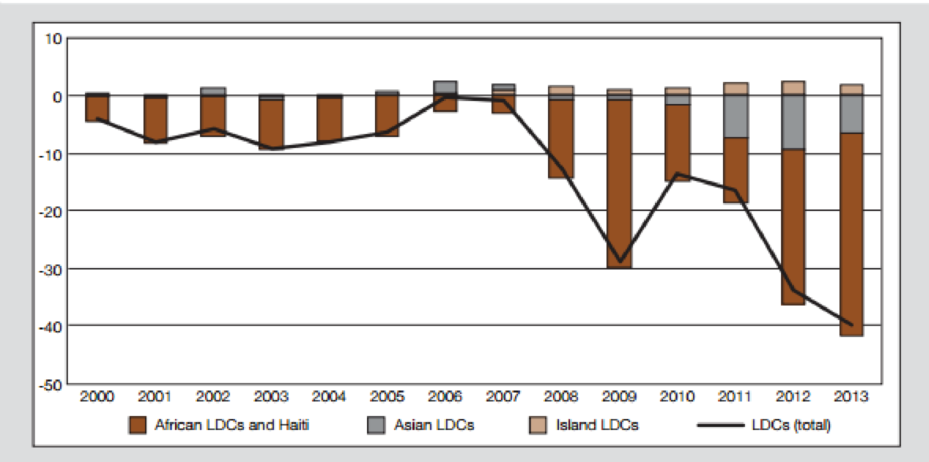
The analysis of the international economic relations (trade and financial) is grounded in the analysis of the international capital flows, balance of payments, exchange rate and currency parity. The so-called *clean trade policy* leans on the automatic macroeconomic and financial mechanisms of the international economy balance, while the balanced trade and full employment represent logical consequences of the „market law“. According to that conception, all the countries have benefits from the international trade, while being guided by the ricardian laws of comparative advantage[6] and productivity.

Post-Keynesians reject a ricardian approach to the international trade. They hold that the automatic balance mechanisms of the international trade and financial relations do not exist. With this in mind, they start studying trade and financial disbalances and income and employment adjustments necessary for alleviating their consequences. Post-Keynesian tradition theory framework that links the international trade and finances was founded by Joan Robinson and it is called *New mercantilism.* It deals with the explanation of the international conflicts about world resources and market limitations. The starting position is the state of inadequate demand and unwilling unemployment. In those circumstances, countries want sufficits in the trade exchange and the inducement of international capital in order to increase employment and production (BDP). Regarding the fact that all the countries cannot have sufficits at the same time – some must have deficit, because we are dealing with the structure well described by the game theory with the zero result – the countries with deficit enter the crisis and their unemployment and production fall below the level they would have if they did not have a developed international exchange at all. Thus, we reach the conclusion that export-oriented countries condemn the import-oriented countries to the bad economic performance, and the consequence can be the crisis in those countries (Robinson, 1978).

This theory contradicts with the neoclassic orthodoxy that views the international trade as harmonious relations between the countries in the international economy with the inherent stabilisators in the event of short-term shocks and disbalances. In that sense, Robinson further analyzed the postulates of "clean" trade theory creating several steps to better understand how the international economic relations function.

The above-mentioned attitudes can be statistically confirmed and viewed in the following graphs (2 and 3). The group of the undeveloped countries recorded a further deficit increase on the current accounts, reaching the historical record of 40 billion US$ in 2013. This represents the 17% increase comparing to the 2012. Moreover, we can notice that the conditions in trade exchange additionally deteriorated after the Great Recession[7] (2008) and the undeveloped countries are deepening the structural gap, imposed by the neoliberal era laws.

Graph 2. Current account balance of LDCs (less developed countries) 2000-2013 (billions $)



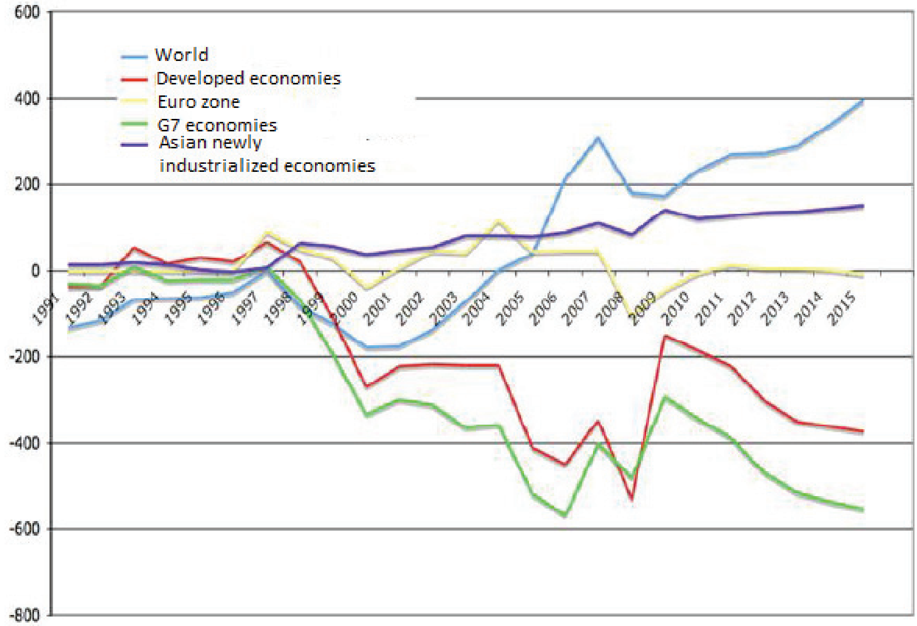
Source: The Least Developed Countries Report (2014), *Growth with structural transformation: A post-2015 development agenda*, United Nations Conference on Trade and Development (UNCTAD), http://unctad.org/en/PublicationsLibrary/ldc2014_en.pdf (last access 31.03.2015)

The Graph number 3 demonstrates the real (corrected for increase or decrease of the exchange rate) trade disbalances (sufficits and deficits) of the biggest economies, including the countries from the group G7. We can notice two interesting trends.

- After the period of the balance from 1992 to 2000, deindustrialization of the western countries and a significant increase in prices of real estate in the USA (mortgage speculative bubble) caused changes in trend in the current account deficit (and the trade deficit as well) of the undeveloped countries and thus they started to record sufficit,

- In the developed countries the trend had a reverse movement: from sufficit to deficit.

Graphic 3. Total and selected regions current account balances in billions US$



Source: Gurdgiev, C. (2015) *Real Stats and Real Issues*, True Economics, Economics 1-2.

Concerning all the above mentioned, we are asking the question of the role played by international institutions for promoting international trade and their influence in creating and maintaining trade and economic inequality. In that sense, we will further analyze the role of the World Trade Organization (WTO) as the institution with task to reducing at least, if not completely eliminating those inequalities and the role of International Monetary Fund (MMF) and World bank as the institutions whose task is to promote that goal from the international finance perspective as well.

The established goals of WTO are to prevent the obstacles in the international trade and to create the equal rights for all the country members, while promoting their growth and development at the same time. Besides that, WTO offers the institutional environment to apply the fair international trade rules. Since the beginning (in 1995), WTO has formed the prosperous international trade system, whose promotion contributed to an unprecedented global economic growth (World Trade Organization, 2015). Some of the proclaimed WTO goals have been met, but we cannot disregard the negative consequnces felt by developing countries population by applying WTO trade policies.

According to the WTO governments must abolish all the regulations that are not in the interest of the international investors and corporations. Although WTO has detailed regulation for international and trade relations, there aren't any legal norms that protect worker rights in the investment countries, and the rules concerning prohibition of child labour are also lacking in its legal framework. Also, it lacks the environmental host protection articles. Because of that, WTO should be understood as the institution that enables the rule of international capital (corporations) and that by the proclaimed goal of the "free trade", it subordinates the developing countries to the interests of the international investors (Smith & Max-Neef, 2011).

The international monetary fund (MMF) and the World Bank also compose the institutional support for the economic inequality in the international trade relations. The World Bank grants the loans to undeveloped countries for the developing of the big projects – often imposed – whose main goal is to use the agricultural and resource potentials of the same countries. In return – as if the developing countries actually received something – IMF and the World Bank ask the country to „open" the borders to industrial products of the developed countries (Smith, Max-Neef, 2011). On one hand, it contributes to the increase of corporations profitability from developed countries, while on the other, undeveloped countries are being indebted in order to finance the import. Those measures are euphemistically called *structural adjustment,* which basically means granting conditional loans. Meeting the required conditions is leading developing countries into economic subordination and dependence.

In that way, IMF and World Bank promote *status quo* of the existing, we can say *neocolonial order*, by which the undeveloped countries poverty is maintained, and those countries are prevented from developing their own industrial sector. The only sectors that are being developed are export sectors, where workers are inadequately paid, rarely being allowed to produce final products (which bring the highest earnings), the best quality soil is being sold (commonly at low prices) to international corporations, while the realized profit is not allocated to the domestic population, but „pumped out" to the developed countries corporation centres. Finally, crisis-struck countries address the IMF for financial help when the trade and payment deficits reach the unsustainable dynamics, while IMF is conditioning the help with new rounds of neoliberal reforms and "structural adjustments" (Perić, Marić, 2014). Thus we gain the negative self-perpetuating cycle that condemns the undeveloped countries to the unfavourable position in the international political and economic framework, and trade relations preventing them from creating and leading the independent trade policy that would be in their interest.

Conclusion

The position of developed and undeveloped countries in the context of the global trade relations has been the consequence of the institutional inequality on the international market, which should be regarded in that way. In this paper, we have attempted to bring to attention power relations, inequality and unfairness in the world trade relations, as well as to debunk neoclassical (and neoliberal) myths about the „free trade" and equal treatment of international economic subjects. On this basis, we have shown that neoliberalism does not give equal chances to developed and developing countries. More specifically, it places undeveloped countries at a disadvantage and makes them dependent on the "help" of the big centers of financial power. This leads to undeveloped countries being "stuck" in subordination which guarantees them poor economic performance and all the social problems arising from it.

These findings are contrary to the neoclassical and Ricardian orthodoxy which posits that the "free trade" and "open and free markets" have a positive impact on economic and social development of all countries. In this way we have debunked the myths of neoliberalism and corresponding economic theory which gives legitimacy to that project.

The international economic relations produce trade and financial disbalances that – if not accompanied appropriately by international coordinated actions aimed at preventing the consequences – lead to periodic economic and financial, but also to the legitimation crises of modern international economic and social order as well (represented by the neoliberal capitalism phase) (Perić, Marić, 2014). In these circumstances we should think about trade policy of developed and undeveloped countries as well as possibilities for the independent trade policy management.

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Endnotes

3 Undeveloped countries are often euphemistically called “developing countries”, in order to conceal the fact that in the global distribution of the political and economic power they are allocated the role of the *periphery*, the source of the cheap work and resources.

4 “Golden age of capitalism” – from the end of the World War 2 to the beginning of the 1970s—was the most significant period of the more fair income distribution, when the income of the more wealthy population was progressively taxed (Piketty, 2014).

5 See more: Chomsky (1999).

6 This is the theory founded by David Ricardo, the classical treadition economist. According to it, countries should produce products where they have a comparative advantage.

7 In Post-Keynesian circles, the Great Recession is called the Second Great Depression, so as to emphaisize its numerous negative consequences that are similar in nature to the Great Depression (1929-1933). See: Keen (2011).

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LIQUIDITY OF LARGE COMPANIES IN THE REPUBLIC OF SERBIA

Abstract

The purpose of this paper is to investigate the impact of liquidity on large companies (LC). Liquidity ratios are indicative of the company's ability to pay its due debts and therefore are a good indicator of its current financial performance. The sample used in research consists of financial statements of 794 companies prepared for the period 2007-2013. During the observed period, the share of current assets in the company's total assets recorded a decline which means that fixed assets have a faster growth rate than current assets. The results obtained indicate that managers minimize the value of supplies within the structure of current assets. Calculated values of liquidity ratio are not compliant with applicable theory which leads us to conclusion that the companies classified as large companies have poor and insufficient coverage of short-term liabilities with current assets. However, ratio shows the positive trend and the first signs of recovery of large companies in regard to liquidity. Analysis of the companies per industry shows that not all companies were equally affected by the economic crisis. Entertainment industry and craft industry are the most liquid one while the construction industry is the least liquid.

Key words: *structure of company's operating assets, current assets, liquidity ratios, supplies, cash, financial management.*

JEL classification: G32, G33, M40, M41

ЛИКВИДНОСТ ВЕЛИКИХ ПРАВНИХ ЛИЦА У РЕПУБЛИЦИ СРБИЈИ

Апстракт

Сврха овог рада је испитивање утицаја ликвидности на велика правна лица. Рацији opšte i redukovane likvidnosti показују способност компаније да сервисира своје доспеле обавезе, па су стога, врло добар показатељ тренутног положаја и индикатор финансијског стања. Узорак на којем је вршено истраживање чине финансијски извештаји 794 компаније за период од 2007-2013. год. Током

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посматраног периода удео обртних у пословним средствима опада што указује да стална средства расту брже од обртних. Добијени резултати указују да менаџери минимизирају вредност залиха а теже повећању салда готовине и готовинских еквивалената. Ово за последицу има промену у структури обртних средстава. Израчунате вредности рациа ликвидности нису у складу са оним што прописује теорија па то упућује на закључак да компаније, које су по српском закону о рачуноводству разврстане као велика правна лица, у већини случајева имају лошу и недовољну покривеност краткорочних обавеза обртним средствима. Ипак тренд кретања рација је позитиван и указује на прве знаке опоравка великих предузећа са становишта ликвидности. Класификација по делатностима показује да нису све делатности подједнако осетиле утицај економске кризе. Стручна, научна, иновациона и техничка делатност је најликвиднија а делатност грађевинарства је најнеликвиднији.

Кључне речи: *структура пословних средстава, обртна средства, рациа ликвидности, залихе, готовина, финансијски менаџмент.*

Introduction

Economic crisis, the roots and origins of which can be traced back to 2007 in the United States (USA) left visible effects on the businesses and economy of the Republic of Serbia (RS). The overheating of the US real estate market, caused by mortgage loans and subprime loans, quickly migrated to European markets. The cause of the crises lies in insatiable greed, desire to earn millions in fees and to secure higher profits for global investors from huge available resources which today can be measured in billions of dollars (Vujević, 2010; Kostić & Kostić, 2014). In Serbia, the opinion is that the first effects of the economic crisis were felt in the second half of 2008 when the volume of trading of the Belgrade Stock Exchange plummeted. The trading volume was cut by half of the regular volume and the number of transactions almost by a third. This situation spread to other economic activities.

Economic crisis resulted in the change of short-term strategy implemented by a large number of companies. Faced with reduced economic activity, the companies turned to the strategy of moderate profitability, in order to preserve liquidity. This system is referred to as Profitability-Liquidity (PL) and was developed in Germany. The roots of this business management system lie in the ratio system developed by the Economic Committee of the Central Association for Electro-technical and Electronic Industry in Germany (ZVEI) (Marjanović & Milojević, 2012).

PL system is focused on a relatively small number of ratios (indicators) and the key part of the system is represented by profitability ratios and liquidity ratios. The profitability ratios are focused on regular business results which are derived from income and expenses. Contrary to that, liquidity is not a primary goal, but an inevitable prerequisite for company's good operation. Based on regular comparison of projected and actually values, PL System offers insights important for decision making process both on an annual basis and within shorter periods. This system of financial ratios is composed of two parts, general and special (Marjanović, Milojević & Simeunović, 2011). From the perspective of our research, a special PL system is of interest to us because it takes into account the special features of individual industry and individual company and therefore it is suitable for analysis and planning i.e. more helpful in making business decisions (Reichmann, 2006).

Ratios which provide insight into profitability are as follows: gains (loss), rate of gross, operating and net income[4], return on net operating assets. The portion of the PL system which refers to liquidity comprises value monitoring: current, reduced and quick ratio as well as monitoring the movement of net working assets (NWA). Based on monitoring of these ratios, financial managers are able to reach high quality decisions which will reflect on the company through improvement of both current and long-term business performance (Vukašin & Anđelković, 2014).

The goal of this paper is to understand the manner in which companies, classified as large companies pursuant to the Serbian Law on Accounting, manage their liquidity. Based on the values and movement of ratios, we shall attempt to evaluate how LC in RS reacted to the economic crisis and what business strategy was implemented by their management in order to adapt to new market circumstances; whether the management tended to increase or decrease current assets in crisis i.e. whether the structure of current assets was subjected to change. Maintaining financial stability and observing the rule of financing is directly related to liquidity and represents a precondition for normal operation of a company (Barjaktarović, Milojević & Terzić, 2014). Likewise, it is interesting to find out whether the crisis had the same impact across all industries or whether it had more impact on individual sectors (Božilović & Miletić, 2014). For this purpose, the following general hypothesis was formulated:

- In the circumstances of economic crisis, companies focus their attention to monitoring and maintenance of liquidity ratios in line with values prescribed by theory.

We shall attempt to prove or refute this general hypothesis by using auxiliary hypotheses:

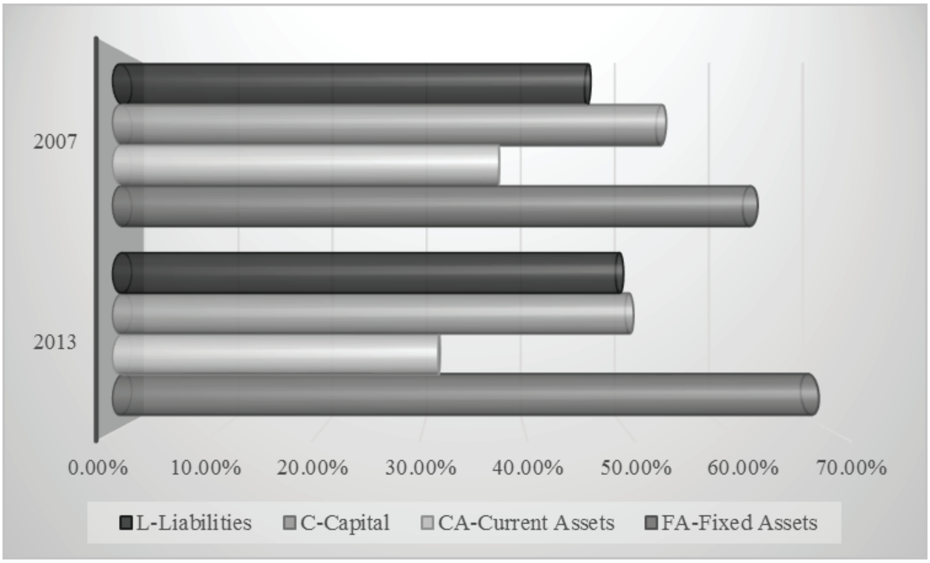
- During the observed period, current assets are subjected to changes and restructuring in an attempt to improve liquidity.
- Current liquidity ratio (CLR) and reduced liquidity ratio (RLR) in large companies were in line with the ratios prescribed by theory, and in times of crisis, the values of these ratios increased.

Our research was conducted on a sample of 794 companies, classified as large companies pursuant to the Serbian Law on Companies. A large company, according to the Serbian Law on Companies, is a company which a) has more than 250 employees; b) has operating income of more than RSD 4.233,541[5]; c) owns total assets worth more than RSD2, 116,770 (Serbian Business Registers Agency - SRBA, 2014). The reason why we chose large companies is because in 2007 they employed 428,073 people, i.e. 38.62% of the total number of employees. The documents used in the analysis are the financial statements of this group of companies for the period 2007-2013 obtained from SBRA. In order to manage the data more easily and efficiently, they were converted to Excel sheets and organized in pivot tables. Not all large companies were included in the sample on account of the date when the collection of financial statements started (2009). This is the year in which certain number of large companies ceased to exist or they were classified as middle-sized companies due to reduced operating income or operating assets.

Results and discussion

We started the analysis of liquidity by comparing cumulative positions of assets and liabilities of 794 large companies in the Republic of Serbia with the aim to gain insight into their mutual relationship and the observance of the rules of financing. Insight into mutual relationship between the assets and liabilities should show which item in the Balance Sheet (BS) is the key factor in company's operation, i.e. which item is considered most important by these companies and in which they invest most of their available monetary resources (Wells, 2011; Mihajlović, Stanković & Nikolić, 2014). The second part of this analysis, dealing with the fulfillment of the rules of financing, should enable us to conclude whether large companies comply with the theoretically developed rules which have been confirmed in practice. Golden balance rule, in its strict sense, requires that the current assets are partially financed from long-term sources of financing, i.e. that the current assets exceed the short-term liabilities (Kieso, Weygandt & Warfield, 2013). It will be interesting to learn if the Serbian companies complied with this rule at the times of economic crisis.

Chart 1: Ratio of cumulative positions on the Balance Sheet in the period 2007-2013

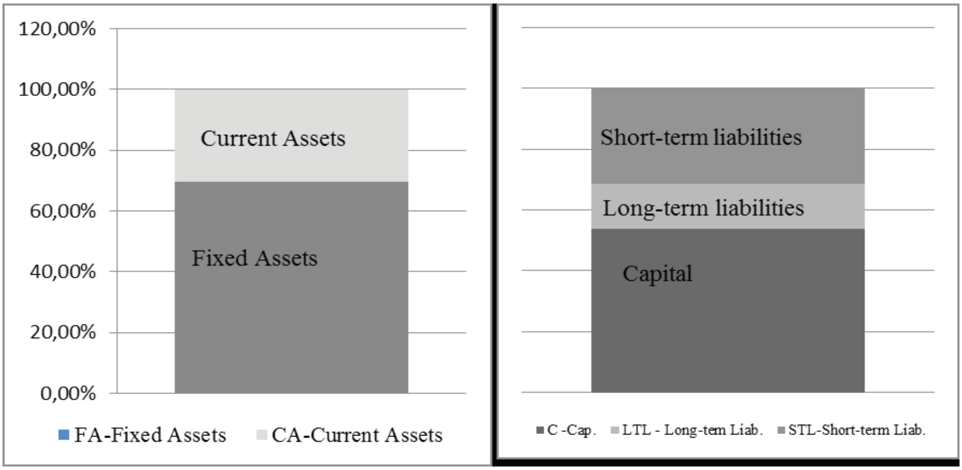


Source: Calculated by the authors

Based on the (Chart 1), we may conclude that the share which current assets have in total assets recorded a downward trend from 2007 to 2013. Most of "available assets", in the course of the life cycle of a company, are invested in fixed assets and they exceed individual values of current assets, capital and liabilities. During the observed period of seven years, fixed assets recorded growth by 9.48% and liabilities by 6.82%, while the current assets dropped by 15.79% and capital by 5.89%. This is a negative trend and it confirms that the economic crisis did affect the operation of large companies.

Chart 2 shows the balance between the assets and liabilities in 2013. This chart is important because it reveals and points out one important fact which is the following: the golden rule of balancing assets and liabilities was not complied with in its strict sense. Fixed assets have not been financed entirely from long-term sources of financing, and one portion of fixed assets was financed from short-term liabilities, and this implies that short-term liabilities exceeded current assets. This is extremely bad because sources of financing were not harmonized with the invested assets in respect of the period of availability and in their amounts. In regard to this, failure to comply with this rule raises a question of liquidity, i.e. opens up a possibility for the companies to come into a situation where they are unable to service their debts regularly due to such structure of assets and their sources.

Chart 2: Balance Sheet for 2013 – Determining Rules for Financing.



Source: Calculated by the authors

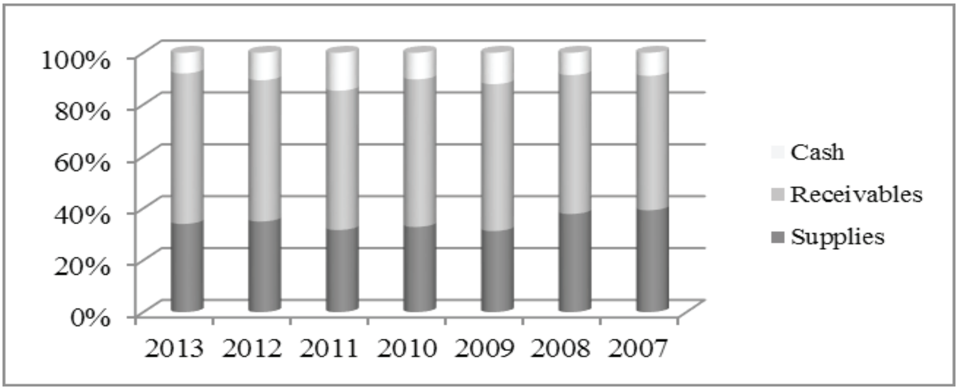
Structure of fixed assets

If we divide the total assets into two large groups of fixed and current assets, we notice certain regularities. In 2007 and 2013, cumulative fixed assets exceed the current assets. In 2007, current assets had a share of 38% in the total assets while in 2013 they had a share of 32%. During the observed period, current assets have increased by almost 20%. These ratios lead us to conclude that in the said period of seven years, the share of current assets in total operating assets had recorded a downward trend. It may be interpreted that the reason for decline in current assets is the economic crisis and that it is a result of the sudden growth of fixed assets (Milojević, 2013).

An increase in the total amount of current assets may have either positive or negative impact. A positive impact is achieved in the case of growth of the value of supplies, cash and even receivables under condition that the deadline for collection is getting shorter. Insight into the structure of current assets in large companies led us to conclude that, during the observed period, the value of cash, supplies and receivables was increased by 15% to 31%.

For this reason, we calculated the average time required to collect receivables. In 2008, the average time required to collect receivables was 71.81 days and in 2013, it was 86.24 days. Data show that the average amount of time needed to collect receivables was significantly slowed down over the period of seven years, i.e. by 20.09%, which is a negative trend and indicative of how the cash cycle in large companies was slowed down. These data gain even more significance when the structure of current assets is taken into account. Current assets have a predominant share in receivables with 57%, followed by supplies with 38% and cash with 5%. If we compare these data with the situation in 2007, we may conclude that the share of receivables and cash was increased by 15.12%, i.e. by 4.86% while the value of supplies was reduced by 2.53% (Chart 3).

Chart 3: The breakdown of current asset for the period 2007-2013



Source: Calculated by authors

Based on results obtained, we may observe that the first auxiliary hypothesis was been proven i.e. that the significant change occurred in the structure of current assets over the observed period. A positive fact to be understood from this is that the cumulative sum of current assets has grown which is counteracted by the negative fact which is that current assets have slower growth rate than fixed assets. Receivables have grown and the number of days required to collect them have increased and we may note that large companies are yet to bring their business performance to the level they recorded in 2007. This result is considered very important and speaks of the impact of economic crisis on the businesses in the Republic of Serbia. The supplies are thinner in the structure of current assets while the amount of cash increases, which proves that large companies have found recourse in the strategy of increasing monetary assets and minimizing supplies.

Liquidity ratios

The purpose of liquidity ratios is to show the capability of a company to settle, i.e. service its debts within their maturity period while taking care to maintain the necessary structure of its assets (Barjaktarović, Jović & Milojević, 2013). The two most famous ratios are: current liquidity ratio and reduced liquidity ratio[5]. Theory and practice have developed normal values for these ratios which are as follows: CLR=2 and RLR=1 (Knežević & Mizdrakovic, 2010; Nigrini, 2011). One should be cautious when interpreting these ratios, but their purpose is to determine how many monetary units of current assets or what portion of current assets are covered by one unit of short-term liabilities.

Data presented in the table 1 show that the CLR in 2007 was 1.08 which is significantly lower than normal value (2). One monetary unit or one Euro of short-term liabilities is covered by 1.08 monetary units /euros of current assets. Even though these results are not compliant with the prescribed rule, they indicate that the current assets in this year have been higher than the short-term liabilities and that the companies were able to completely settle their short-term liabilities with their total current assets. When interpreting these values, one should take caution because the sample includes the companies from various industries. In the period 2008-2013, this ratio recorded a continuous downward trend. In 2013, CLR was 0.94 which is lower than its value in 2007 by 14.89%. Continuous reduction of the value of this ratio is indicative of the fact that short-term liabilities have grown compared to current assets. In the period 2011-2013, short-term liabilities exceeded current assets which was exceptionally bad. It leads to the conclusion that large companies are unable to service their debts from current assets which, de facto, causes the liquidity crisis of the entire economy and slows down economic activity in the country.

Values of RLR were used to determine whether the companies can cover their short-term liabilities with current assets (cash, cash equivalents and receivables) (Barjaktarović, 2009). Unlike CLR, this ratio excludes the most illiquid portion of the current assets, which are supplies. Supplies, as one of the most controversial balance sheet item, are excluded from this ratio because we have been witness to many abuses of this item in the past (Manning, 2005; Coderre, 2009; Schilit, & Perler, 2010). In 2007, the value of RLR was 0.78, which is lower than the normal value of 1. This year, one euro of short-term liabilities is covered with 0.78 euros of liquid assets. This is not very worrying when the CLR for this year (1.08) is taken into account. A large portion of short-term liabilities was covered with liquid assets and the remaining portion was covered with supplies. Unlike CLR value, which recorded mild but the stable downward trend during the entire period from 2007 to 2013, the RLR recorded a cyclic trend. In 2008, this ratio was 0.70, which was a drop from the previous year of 10.26%. At the end of 2009 and 2010, the ratio recorded a symbolic growth by 1.43% i.e. 1.40%. The interpretation of the values of these ratios is rather interesting since these ratios point to the fact that despite the economic crisis, large companies in Serbia recorded small but noticeable progress in raising their liquidity level. In 2011, this ratio recorded a more significant drop of 4.16%. The boost of economic activity in this period had no effect on the increase in liquidity, but, on the contrary, led to its decline. The drop in liquidity could be explained with the fact that the year under analysis was a pre-election year, and that the state was the main engine of economic activity, and having in mind that the state was late in settling its liabilities, it reflected on the liquidity of the largest number of companies who do have a business relationship with the state. In 2012, this ratio drops another 2.90%, and in 2013, if records an increase by 2.99%.

Based on the results of financial ratios regarding liquidity, we may note that our second hypothesis is refuted i.e. that the movement of liquidity values in the observed period is much different from what is prescribed by theory. The effect of economic crisis is evident, but what may be interpreted as the positive sign is the fact that in 2013, the analysed ratios recorded increase compared to previous year. However, the comparison of these results with the base year confirms the previous statement that the business performance of large companies has not yet reached the performance level recorded in 2007.

Table 1: Overview of liquidity ratios for the period 2013-2007.

Ratio	2013	2012	2011	2010	2009	2008	2007
CLR	0.97	0.95	0.97	1.00	1.00	1.01	1.08
RLR	0.69	0.67	0.69	0.72	0.71	0.70	0.78

Source: Calculated by the authors

Analysis by Business Classification

From the perspective of this analysis, it is very interesting to review the drop of the CLR and RLR in comparison to 2007 per industry sector. The results will enable us to determine if the crisis had equally affected all industries or if some industries managed to curb its effects more easily. The sample of 794 companies was divided into industries based on activity code. Then, the liquidity ratios were calculated for each industry individually.

***Table 2**: Overview of liquidity ratios per industry for the period 2007-2013*

Industry	Number of companies	Current liquidity ratio				Reduced liquidity ratio			
		2013	*2011*	*2009*	*2007*	*2013*	*2011*	*2009*	*2007*
Agriculture	31	0.93	0.85	0.99	1.18	0.58	0.49	0.56	0.84
Mining	9	1.07	1.10	0.67	0.61	0.61	0.64	0.37	0.32
Processing industry	299	1.15	1.11	1.18	1.34	0.66	0.69	0.74	0.83
Power supply	21	0.86	0.90	0.98	1.02	0.75	0.80	0.87	0.93
Water supply	24	0.92	0.91	0.90	0.99	0.73	0.71	0.71	0.74
Construction	66	0.56	0.73	0.82	0.84	0.41	0.55	0.56	0.60
Trade	244	1.09	1.01	1.05	1.17	0.70	0.67	0.71	0.82
Traffic	36	0.85	0.88	0.68	0.89	0.68	0.70	0.56	0.83
Accommodation services	4	0.35	0.30	0.43	0.87	0.29	0.25	0.36	0.80
Information sector	19	0.82	0.79	0.99	0.92	0.82	0.71	0.86	0.84
Crafts	22	1.73	1.51	1.47	1.49	1.64	1.41	1.30	1.42
Administration	12	0.51	0.61	0.46	0.55	0.48	0.59	0.44	0.56
Entertainment	7	1.51	1.30	1.20	1.15	1.31	1.13	1.01	1.02

Source: Calculated by the authors

What is worrying is the value of liquidity ratio in the construction industry. Both CLR and RLR are the lowest in this industry among all those analyses. Particularly worrying is its trend, which is extremely negative and indicative of the very difficult situation of large companies in this industry. For this reason, we believe that this paper contributes to quantifying and proving that the construction industry has suffered the worst in this economic crisis.

Ratio analysis per industry shows the unequal distribution of the effects of the crisis across industries. What is common to them all is that the liquidity value is lower than at the start of the observed period i.e. at the beginning of 2007. This is just another confirmation that, from the perspective of liquidity, large companies have not yet restored their performance to the pre-crisis level.

Conclusion

The objective of the research we have conducted was to show the circumstances in which large companies operate in the Republic of Serbia in terms of liquidity. The results obtained by analysing 794 large companies indicate that, at the time of economic crisis (2008-2010), the observed companies recorded a drop in liquidity. The information for 2011 saw the first significant sign of growth only to drop again in 2012. However, the liquidity of LC in 2013 was on the rise again. By analysing the observed ratios, we have proven the general hypothesis that companies pay particular attention to monitoring and maintaining their liquidity levels during the economic crisis. This fact was proven and more specifically described through analysis of the structure of current assets and through monitoring the share of current assets in total assets of a company. The effects of management's decisions are visible in large companies because the structure of current assets has changed. During the crisis, the supplies are reduced and receivables and cash are increased. However, it is unsettling that the period required to collect receivables has been prolonged which is a telling sign of a difficult situation in which large companies face in regard to their liquidity.

By analyzing liquidity ratios, we noted that their values deviate from the values recommended by theory which is not good and may jeopardize the financial stability of large companies in the future. Still, we have concluded that the RLR has a value which is closer to the one prescribed by theory than CLR, which is a positive fact and indicates that the circumstances have been improving mildly in recent years. By analyzing the liquidity ratios per industries, we have concluded that the not all industries have been affected equally by the economic crisis in terms of liquidity. The hardest hit is the construction industry while entertainment, crafts and trade industries have been least affected. We believe that the results obtained are important and may be viewed as guidelines for future decision both of the state authorities and of the financial management.

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Endnotes

3 In literature, these ratios are often call profitability ratios because only items from Income Statement are used in calculation and they do not provide information about the amount of capital engaged.

4 The amounts are presented in Serbian dinars.

5 Liquidity ratios, as an indicator of short-term financial balance, show the company's liquidity only on a specific day and therefore in their interpretation should be careful.

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CHARACTERISTICS OF JOINT INVESTMENT IN GLOBAL BUSINESS

Abstract

"The joint venture", which means investment, is one of the most common forms of strategic partnerships and companies, as it is shown in the stated study, is a kind of partnership that has a tendency to grow. The studies which are carried out on a large number of managers who have had past experience in joint ventures will be presented in this work. The study conducted "on - line" survey, and involved international companies, especially in the US. The work includes theoretical - technical part, which explains in detail the mode of operation of the specified category with an analysis of its application. At the end will be provided basic impressions and comments on the attached results of studies. Results of studies show that managers generally positively declare their past experience with joint ventures and expect that this partnership continues to evolve.

Key words: *joint ventures, strategic alliances, mergers and acquisitions.*

JEL clasification: D4, F2, F6, M1, J1

КАРАКТЕРИСТИКЕ ЗАЈЕДНИЧКИХ УЛАГАЊА У ГЛОБАЛНОМ ПОСЛОВАЊУ

Apstrakt

„Joint venture“ у преводу заједнички подухват (улагања), један је од чешћих облика стратешких партнерстава предузећа и, као што је показано у наведеном истраживању, оваква врста партерстава показује тенденцију раста. У раду ће бити представљена истраживања која су извршена на великом броју испитаника тј. менаџера који су имали у прошлости искуство у пословима заједничких улагања. Истраживања су спроведена „он – лине“ анкетом, и обухватила су међународне компаније, посебно у САД. Рад садржи и теоријско – стручни део, у коме се детаљно објашњава начин функционисања наведене категорије са анализом њене примене. На крају биће изнети основни утисци и коментар на приложене резултате

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истраживања. Резултати новијих истраживања показују да се руководиоци углавном позитивно изјашњавају о свом досадашњем искуству са заједничким улагањима и очекују да се таква партнерства даље развијају.

***Кључне речи**: заједничка улагања, стратешке алијансе, мерџери и аквизиције.*

Introduction

"Joint venture" shows common investments in which two or more persons, whether legal or natural, pool their labour and resources in order to achieve a common business, whose goal is to achieve some common business, and share profits and bear losses on flat parts, provided that the contract isn't otherwise provided. The joint venture is a special form of the contact about the partnership and it has some rules that apply to the same contract. It is significant that in this business the responsibility for the risk is equal, where every member is liable individually and unlimited for the debts that have been taken in the common investment, irrespective of the extent of their role. The subject of this work is a common business proposition or joint ventures, and in the literature can be found different definition of joint venture, because the concept can be best defined through describing certain characteristics. Often this term is defined as the merging of two or more business partners who have different areas of engagement and the types of activities in order to exchange resources, share risks and rewards of the joint venture. Joint ventures have elements of partnership, but they are typically formed for the predefined purpose and achievement of defined objectives, or specific project and therefore have a limited duration and limited in scope and purpose.

After realizing the intended business venture participants dissociate and proportionate to their share, or according to the agreement share the profits or bear the loss. In relation to this type of strategic partnership, joint venture is distinguished by pre-defined business operation that is realized in a specific time period. As a rule, the partnership includes a number of different areas with the conduct of business in more activity and aims to develop a lasting business relationship. An important item when it comes to joint ventures is actually the trust that is built, and where a joint venture has to be based. In addition, all parties must provide the resources, regardless of whether it is cash or human resources. (Stewart, 2011)

Joint ventures are often considered as a serious alternative to mergers and acquisition, and the most common partners include smaller companies and companies more or less of equal business and development capabilities, but joint ventures are possible - and between enterprises of different sizes and strengths. Managers largely express positive opinion of how joint venture was shown in the past, and even a large and powerful company accepted a joint venture with a smaller partner, only in those situations when they cannot solve the problem quickly and not solve in a way that is most convenient, for example, when they are selling a controlling stake or a complete company.

Even though the positive trend is in the implementation of joint investment, research has pointed to some inconsistencies in the management of joint ventures.

Namely, the joint venture is managed by partners, and the structure of votes in the management of these enterprises is determined by the structure of values introduced into the joint venture. However, a lot of managers said that their companies do not have a consistent management practices in a variety of endeavours. Even companies with the most active joint ventures tend to manage their partnerships individually.

Also, a small number of respondents say that they used a standardized resource that enable consistency and the sharing of best practice and that there is a weak consensus on measuring performance of joint ventures. This is significant because the joint venture earnings from operations divided between the co-founders of the joint venture in proportion to the entered total value of the joint venture.

Joint ventures in international business

The simplest definition of joint venture is that it is a business arrangement in which two or more parties agree to combine their resources in order to achieve a certain goal. This could be a new project or any other activity. In a joint enterprise, each participant is responsible for profits, losses and expenses.

Joint ventures are defined as any long-term cooperation that is not an integration, in which two or more economic entities possess a sufficient percentage of capital ownership to the appropriate degree of control or influence on key areas of business and business decision-making. (Dunning, 1992., p. 237). As entities in the business of the joint venture may participate companies (business enterprises), public authorities, international agencies, charitable foundations and individuals. International joint ventures involve the partners originate from at least two countries.

The joint venture can be defined as a partnership of two or more companies that create a separate business entity, in the way that each participant contributions in the form of capital, technology, marketing expertise and staff, and in order to take certain economic activities. The venture is a long-term character, according to the principle: shared tax - shared risk. (Jovic, 1990).

Joint ventures can be "double-edged sword" since they can be successful or less successful, or unsuccessful, however, even though the risks are inevitable when investing are far greater benefits and profits from investments, it appears that there were strategic subjected to joint ventures and management services in an equitable manner.

Investments represent one of the main areas of macroeconomic and development policies of each country. The scope, structure and efficiency of investments undertaken in an economy basically determine the path of its development. (Stefanovic, 2008, pp 131-145) The joint venture is one of several forms of foreign direct investments / investment. Direct investment is a long-term international movement of capital which is motivated by profit and in addition to the acquisition rights of ownership, control and management of the economic entity abroad. (Stojanov, 2000, p. 18) Joint ventures can be applied at home and abroad, depending on the motives of joint ventures.

International joint ventures are a form of cooperation between two or more companies from different countries, which has resulted in the establishment of a new, legally independent, business entities. (Gijić, Zdravkovic, B. Jovic, 2014, p. 129). Investors who form this new entity, are commonly named mother companies. The joint company is a new company which is created as a result of international joint ventures. This newly created business entity may be established (registered) in a country where they are registered parent company or in a third country. (Matic & Ćenan, 2007, p. 17) This form of investment provides investors the right of ownership, control and management of the company to which the funds are invested with the aim of achieving a long-term economic interests. Therefore, the joint ventures represent the typical variation of investment strategy of entering and operating in the international and domestic market, and through the process of globalization, it comes to important essential role of joint ventures on a global level which application is being increased.

The basic feature of most definitions relating to foreign investments is that they prioritize the control function in business joint venture, while the second place is used for the interest of investors for the regulation of property rights in the appropriate part of the joint venture. (Sarajčić, 2011, p. 52). Numerous studies tend to show the benefits of joint ventures in order to prove the benefits of their application in the modern economy, and in the sequel we will analyse one such survey which is conducted by McKinsey & Company. So, main hypothesis is: Joint ventures bring numerous benefits to companies, and represent one of the basic elements of the company in future operations.

Strategic alliances

Joint Ventures are a form of strategic cooperation, i.e. strategic alliances. Several major companies are linked in strategic alliances, regardless of the mutual agreement to remain independent entities. Thus, the Alliance complex business cooperation from other forms of cooperation in which, regardless of the business independence, there must be compliance objectives and goals of the whole entity and thus there are more chains "command." Independent identities and cultures of the two companies became part of the large specific cooperation in order to achieve common goals. If the alliance is achieving its objectives, there can be cross-coupling and stronger connection, so that one gets the impression that the alliance becomes one big autonomous and unique company. A specific feature of the alliance is that there are multiple centres of strategic decision-making. (Lei & Slocum, 1992, pp 81-97).

Joint ventures can be created in two ways:

- The formation of a new plant that will produce goods or provide particular services.,
- When one partner redeems part of the capital of an existing company, i.e. with the further investment increases the sum invested in the existing economic entity.

The main difference in joint investment and integration or merger is that the common investment creates a new business entity, while the other two forms one of the company which ceases to exist. The main motives for undertaking the joint venture are: the use of complementary technologies, the provision of the necessary capital and investment funds, overcoming barriers of entry and access to international markets, the acquisition of certain market positions (Lei & Slocum, 1992., p. 174).

Joint ventures can be both horizontal and vertical partnerships. Horizontal level often creates common management structure and the vertical level of connection is carried out in the context of the distribution channels. Investment items in collectively partnership may be (Mihic, 2009, p. 55):

- Production technology, know-how, patents, expertise, training, training, management,
- Land, equipment, local management, relations with the institutions, staff,
- Both partners invest capital, the current financial support and accountability.

Basic procedures that precede the realization of "joint venture" (JV) arrangement involves defining the following categories (Radjenovic, 2014, p. 37):

- Objectives and structures designed forms of joint venture,
- Defining production of the utility companies,
- Determination of production technologies,
- Assessing the value of equipment and other business resources,
- Estimate of the costs of technology transfer,
- Assessing and defining prices for goods and services,
- Determining the level of the required investment,
- Analysis of the market and competitors,
- The design of the volume of sales and determine distribution methods,
- Creating offers with all the details: the characteristics of products, marketing, transportation, storage, quality.,
- Marketing activities in the target market,
- The staff screening and the necessary training,
- Impact on the environment and social aspects (contribution to the community).

The mentioned activities are the subject of a feasibility study, which analyses all these factors and in the context of defined methodological answers on the questions whether the intention of the partners is justified and whether they are provided with all necessary conditions for the realization of the set goals.

In addition to the presented elements of studies that includes financial projections in a part of the total investment, the required investment, the annual return on investment, operating costs and projected income, it is necessary to define the basic conditions for the conclusion of the JV agreement. These conditions are the subject of harmonization among the partners and aim to eliminate all doubts and differences in approaches to create an acceptable agreement. After the realization it can be accessed and disassociation under defined conditions if it is in the interest of partners. JV company shall cease to exist if the JV achieve of the aims arrangements, or do not achieve, if one of the partners demands, or time out on the concluded deal. Such companies may stop operations due to the legal or financial reasons as well as changes in market conditions.

However, the business association brings with it anti-competitive (anti-competitive) risk. This risk may be of a general and permanent nature, when businesses join in the status basis, or special or shorter characters, as it is a contractual business association, such as association of business entities to participate in tenders and auctions in public procurement procedures, in the contests of the public sector in order to elect a business partner from the private sector, the award of concessions and so on. In European law of market competition shall be deemed to greater risk of negative impact on market competition, especially when there is a joint venture established by "actual or potential competitors" (Kapural, 2008, pp 64-75).

The business association for the purpose of abuse of monopoly or dominant position on the market, or significant limitation, disruption or prevention of competition is unauthorized and shall be regulated by law and by regulations governing the protection of competition. In this way, especially treated restrictive agreements and concentrations of undertakings, including horizontal, vertical and conglomerate agreements and concentrations, including unauthorized formal and / or informal association (written grounds or concerted operation without a written basis) known as Trast, the cartels and oligopoly, which practically divides the market, some market participants are excluded from it, or they impose unfair conditions and artificially create a relationship of supply and demand, prices and other conditions and relationships in the market, which significantly prevents, restricts or distorts competition .

Motives and implementation of joint investment

The latest trends in international economic relations and business law require the entity, i.e. "Enterprise" consider and unincorporated entities, those who do not have status "persons", i.e. a legal entity in the strict juridical sense. As examples may be mentioned contractual joint ventures in EC law and in our law of foreign investment and the controlled group of business individuals in the Code of UN control of restrictive business practices. (Trifković et al, 2009, p. 94)

Joint business ventures in the international market are realized through the following six basic profiles (Sendić, 2010, p. 248):

- Research and development joint ventures.,
- Research and exploitation of natural resources,
- Engineering and investment jobs.,
- Production and manufacturing of joint ventures.,
- Buying and selling joint venture,
- Services of joint ventures.

Motives of joint ventures may be different, depending on whether they are common foreign investments or investments in the host country, and what use has foreign investor and what local entrepreneur.

Motives of foreign partners for joint ventures with a local partner are numerous:

- The profitability of investing their own funds or in-kind resources such as fact and law.,
- Business credit worthiness or reputation of a local partner, i.e. its material, financial, human and technical technological capabilities.,
- The security of investments and the prospects of the market in terms of commercial and non-commercial risks such as profit, secure transfer of the profit and the initial investment, the possibility of reinvesting previously invested funds, etc.

Motives of local partner in a shared venture with a foreign partner:

- Lack of own funds used for the purposes of modernization, expansion and construction of new facilities (manufacturing and services),
- The acquisition of new manufacturing experience, modern technology and knowledge,

- The launch of taking their own scientific - research and innovative work,
- Development of new products,
- More efficient use of energy resources and rational use of domestic raw materials and reproductive material,
- Increasing labour productivity and product quality, and therefore the efficiency of operations,
- Expansion of exports of their own products aimed at curbing imports,
- Safe and long-term planning of the complete product range which is aimed at the domestic market and export.

The following work outlines the advantages and disadvantages tables that have investors from joint ventures.

Benefits	**Disadvanage**
- Use of the benefits due to the involvement of the host country., - Division of IES and investment risk., - The existence of property., - Combining the specificity of both companies., - The possibility of investing in the international arena with limited resources of their own funds., - Due to the regulations, this is the only possible alternative., - The local partner provides information on: local market conditions, the local workforce, relationships with authorities, local customers and suppliers., - The best ways to provide inputs or goods that is difficult to obtain otherwise., - To serve you giving up can be compensated (by the other partner).	- Conflicting objectives of partners (individual)., - Agreeing on a profit statement, income, production, reinvestment price expansion., - The division of profits and control of the company., - Takes time engagement of experts and official travel (costs)., - The problem of communication., - The diversity of habits and business practices., - Problems regarding the harmonization of different interests., - The possibility of antitrust reactions of others., - Problems of determining the appropriate investment and control connections.

Table 1. Advantages and disadvantages of joint ventures (Sendić, 2010, p. 250)

Mergers and acquisitions at the global level

A merger is a combination of the two organizations, whereby an organization ceases to exist. The acquisition represents taking control of another organization, branch organizations or other specific means of other organizations. (Popovic, Jaško, Prokić, 2010, p. 255)

In general, mergers and acquisitions of companies is the term used to denote operations which make reorganization of companies (Dimitrijevic, Gijić, B. Jovic, 2014, pp 136-138). In general terms connection is: 1. Amalgamation, merger, acquisition. 2. Download 3. Integration., Consolidate., purchase (acquisition) and so on.

M & A represent accession of the follower into one entity under property, i.e. assuming all the rights and obligations of its predecessor. Thus, in the case where one person is merged with another, merged disappears, and this with whom is merged with is its general successor. Also, when two people come together, the resulting legal entity is the universal successor, i.e. an only titular set of rights and obligations.

Often the terms merger and acquisition used interchangeably, which is wrong because there are differences between these terms. Connect (merger) is a transaction in which two or more companies agree to merge into a new company, and existing companies cease to exist. On the other hand, taking (acquisitions) indicates the transaction when one company buys i.e. it is taken over by another company. Foreclosed company legally ceases to exist.

Factors that influence the company to engage in strategic alliances are varied and numerous. Limited is the following: environmental characteristics, the characteristics of the industry in which the company competes and characteristics of the organization itself. Orientation organization, its culture and the need for more efficient use of resources, stimulating effect on inclusion in the alliance (Djuricic, Janoćević, Kaličanin, 2010, p. 117). Within this group of factors are certainly the most significant changes in the needs and behaviour of consumers in the purchase process, uncertainty and risk, rapidly changing technologies, intense competition and significant changes in other elements of the environment.

Although in 2013. the volume of business has declined, the income obtained by jointing and coupling companies remained high over the long-term average (Cogman, 2014). According to analysis of McKinsey of market reactions to mergers and acquisitions of companies, net value declared VAT in 2012 with a 12.9% decrease to 12%, being at the same time is still higher than the average in the same period of the last 15 years.

Although it seems that companies have higher incomes thanks to mergers and acquisitions, the truth is that they actually have less business. Perhaps, in general, the volume of mergers and acquisitions more than doubled over the last ten years, but compared to the global capital market, it is in 2013 remained at the same level - as at the end of the last cycle of mergers and acquisitions, completed 2002. and 2003. In addition, it was significantly lower than in the period from 2007.in which the activities in the field of mergers and acquisitions were at their peak. Capitalization of the global market in 2007. was 9.1%, and in 2013 dropped to 7.4%, which, with the exception of 2002, its lowest value since the end of the nineties. Even customers who purchase downplayed the value to acquired companies merger to shareholding society, some other companies do not do it. In the last four years, their total earnings is that great that they can hardly manage to not go into the “red”.

Why do we seem that mergers and acquisitions of companies brings higher incomes? There are several possible explanations. Businesses obviously become selective and try to be the agreements concluded with greater sum of money.

In addition, it is also possible that associations which are dealing with business development and mergers and acquisitions of corporations do business more efficiently. It seems that mergers far more revenue than is the case in relation to the same period during the last economic crisis, pointing to the fact that the current situation is not a cyclical phenomenon. There is another possibility - that investors simply reward companies for reducing the amount of their balance sheet - or the share price increased low-interest loan as a result of quantitative discount. We will know only on the base on the volume of mergers and acquisitions and the further reduction of quantitative discount.

Increasing of joint ventures

The new results showed that managers generally had a positive experience in the past when it is about joint ventures and expects the number of such partnerships to grow. Joint ventures, as well as iteration and acquisitions will increase in the coming years, under the influence of corporate partnerships which are increasing.

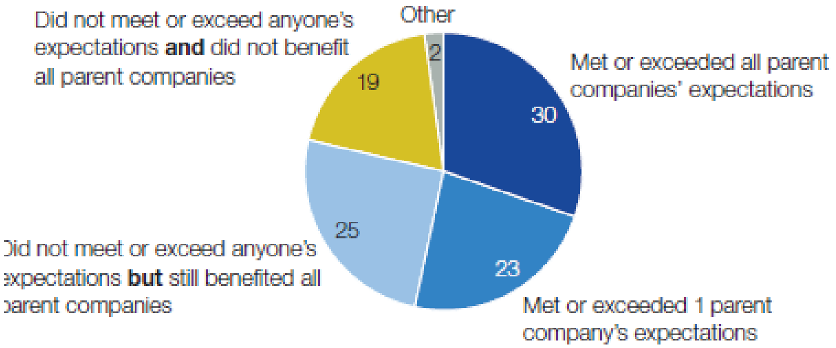
In the latest survey conducted by McKinsey's, 68% of respondents on this topic (Rinaudo & Uhlaner, 2014) expected that the activity of joint ventures in their firms increase over the next five years, and 59% of respondents expect an increase in mergers and acquisitions. Online survey was available from 11 to 21 March 2014, and has collected 1,263 responses from C - level and senior managers, representing the full scope of the region, industry, size of company, and functional specialization. 982 managers, of the total number, have had personal experience when it comes to joint ventures. In order to accommodate variations in terms of response rate, the data are measured on the basis of their contribution to the nation of subjects in the exercise of GDP at the global level.

Not surprisingly, as many companies have experience with joint ventures, greater likelihood is that they will use them. Almost 90% of respondents from companies with more than six units in operational structure, reporting that joint ventures often or occasionally are considered as a serious alternative to the acquisition and integration - compared to only 40% in companies that do not take or did not undertake date activity at all.

Moreover, the managers generally have a positive attitude about how the last collective investment are made. Most of them describe joint ventures with which they are most familiar, as a success.

Respondents also report that more than half of the joint investments of their companies meet or exceed the expectations of at least one of their mother companies (Evidence 1)

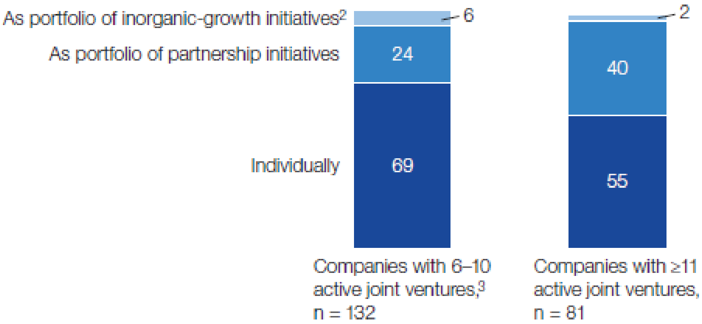
Evidence 1.
More than three-quarters of the joint ventures had achieved initial expectations or all the mother companies had benefit.
% Of respondents, 1 n = 982 (Figures are summed to 100% due to rounding).
The overall effect of joint investment companies



These are promising indicators for companies that currently manage joint ventures or are thinking about a new one, though, has plenty of room for improvement.

Most managers, for example, say their companies do not have a consistent management practice from one investment. In fact, even the most active companies with joint ventures tend to manage their partnerships respectively (Evidence 2).

Evidence 2.
Even companies with a large number of joint ventures tend to manage them individually, rather than as part of a portfolio of initiatives.
% of respondents. How do companies of respondents manage in the assessment of liquid of joint investments.



1. The figures aren't summed to 100% because the respondents gave answers like: "Other", "our joint ventures is not actively managed," or "do not know", and therefore such responses are not shown. For each category, the respondents were asked about the management of companies and at the level of the business units, segments reflect the combined responses of respondents whose companies managing joint ventures in the company and the level of the business units.
2. The portfolios of inorganic growth initiatives include the acquisition / merger and acquisitions.
3. In companies with 1 to 5 active joint ventures, executives report similar results. Considering the nature of the issues which referred to the "first active joint venture", responses cannot be set aside from the others in this group.

A small number of respondents have reported a usage of standardized resources, such as "playbooks" that enable consistency and exchange of best practice. They also have been reported a small degree of consistency in measuring the performance of joint ventures, and had different views on the interpretation of success. For example, meeting the targets revenue is widely accepted as an important measure of success, but holding the expected time frame as a milestone, it is not.

Conclusion

Companies may have different motives in deciding and undertaking joint ventures. Depending on the expected results of joint ventures, income, respectively, profit need not be necessarily a priority, because it takes into account the different motives that were drivers of joint ventures. These motifs may relate to obtaining financial resources, technology and knowledge, as well as raw materials and equipment, managerial skills, achieve economies of scale, cost efficiency, overcome market barriers to entry, increase market share and minimize risk.

The results showed that more than three quarters of the joint ventures were fruitful and fulfilled expectations, sometimes even surpassed the same. The analysis of this research, in fact indicates the need for a joint venture, but also promote this kind of cooperation. In addition to a large number of respondents answered positively and actually sided with the joint venture as a new trend that will only come into force, even those whose companies have not had this kind of cooperation are considering joint ventures as a way of improving its business.

The only drawback on which this research suggests is the need for companies to operate individually, regardless of the large number of joint ventures. And if a joint venture can have its downside, our opinion is that the joint venture has more positive sides.

Joint venture as a form of business association may be significant for our country in terms of attracting foreign investment. Past experience shows that FDI has played an important role in the structural changes in production and exports in the beneficiary countries of these funds. For countries that have limited access to the international capital market foreign investment are "valve" for involvement of foreign funds. Thus, among the most important higher forms of economic cooperation with foreign countries are joint ventures, i.e. investments by foreign partners in local companies in order to realize the joint venture. Joint ventures are economically the most suitable form of attracting investment of the missing funds and advanced technologies, as well as the most rational and most encouraging instrument of connectivity, in the financial, technical, technological and commercial point of view, in domestic and in foreign companies.

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