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International scientific conference

EUROPEAN MANAGEMENT, BUSINESS, MARKETING AND TOURISM DEVELOPMENT WITH SPECIAL EMPHASIS ON CENTRAL AND SOUTH-EAST EUROPE

COLLECTION OF PAPERS

Belgrade, November 7th 2017, Metropol Palace Hotel

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European Academy of Science

Vienna, 1190 Wien, Geweygasse 4A, e-mail: office@easvienna.com, easvienna.com

PLENARY SESSION

Hotel Imperial, Vienna, Austria

Univ. Prof. Dr. Milija Zečević

Professor Emeritus
Academician, European Academy of Science, Vienna
Rector of European University - Chairman

Professor Dr. Milija Zečević was born in Vasojevići, the village of Vinicka, Montenegro, on Nov. 5, 1940. He graduated from the Belgrade University Faculty of Sciences – Department of Mathematics; he achieved his Master of Science degree from the Belgrade Institute of Economic Sciences; and Doctoral degree from the Belgrade University Faculty of Organizational Sciences. Professor Zečević has organized numerous symposia and scientific gatherings covering the following topics: European Business and Management, American Business and Management, Japanese Business and Management, International Management, International Relations, International Diplomacy, European Integration Processes, Creating New Europe… Prof. Dr. Zečević is the author of more than 200 papers, published in foreign and domestic collection of scientific papers and publications; he has also authored 39 course books in the field of Management, International Management, Mathematics, International Business, International Relationships, European Business, etc.
Rector, Owner and Founder of European University, Belgrade; Commander of World Order of Science - Education - Culture, EAI, Brussels; Grand PhD of Western Philosophy, European Academy of Informatization; Honorary PhD, International University Albert Schweitzer, Geneva; Member of International Diplomatic Academy Senate; Full - time Professor at European Academy of Informatization, Brussels; President of UN Distance Education Board, Vienna; Academician of American Biographical Institute, New York, The Tesla Award for Communication in the Field of Mathematics Education 2017.

The Impact of Global Business and Management on Business Development in Europe

* * *

EUROPEAN MANAGEMENT, BUSINESS, MARKETING AND TOURISM DEVELOPMENT WITH SPECIAL EMPHASIS ON CENTRAL AND SOUTH-EAST EUROPE

The Scientific Conference will take place on November 7th 2017 in Metropol Palace Hotel in Belgrade at 10:00 o'clock. We would like to point out that global business, global education management, European business, management, tourism and marketing are in the service of the development of the world economy.

Europe, as a multicultural, multilingual environment, has, in accordance with the programs of all European countries – not only the EU countries, decisively reformed its educational, scientific and economic systems.

It is a well-known fact that Europe still does not have fully developed international management because it still does not have fully integrated multinational companies, and that the USA is the carrier of the international business philosophy and international management and that many multinational and transnational companies influence the development of educational, scientific and economic systems with their aggressive marketing.

The aim of this conference is to establish connections between scientific and educational institutions (universities, institutes) as well as between the countries of Central and South-East Europe and the top business countries such as Germany, Great Britain, France and others. Establishing connections between the countries of Central, South-East Europe and Russia and achieving greater integration between them will enable a better life as well as progress and prosperity for younger generations.

We would like to thank all the lecturers, experts and all the participants who will present their papers which will be published in the Conference Proceedings, with the aim of affirming scientists, university professors, doctoral students, researchers and students.

With respect and gratitude,

President of Scientific Committee
Rector of European University
University Professor Emeritus Dr. Milija Zečević
Academician of European Academy of Science, Vienna

Dr. Ana Jakovljević, LL.M

Secretary General of Conference of Universities of Serbia – KONUS

Dr. Ana Jakovljević, LL.M was born on 2nd June 1981 in Kruševac. She graduated from the Faculty of Law, the University of Belgrade. She completed her master studies at Loyola University New Orleans College of Law, the United States of America, with focus on corporate law of America. She began her doctoral studies in 2011 on European Doctorate in Law and Economics – EDLE program, organized by the three European Universities: the University of Bologna, the Republic of Italy; Erasmus University Rotterdam, the Kingdom of the Netherlands and the University of Hamburg, the Federal Republic of Germany. She received her PhD title in March 2015 having previously defended her doctoral thesis entitled “Fighting Corruption with Pyramids: A Law and Economics approach to combating corruption in post-socialist countries”.

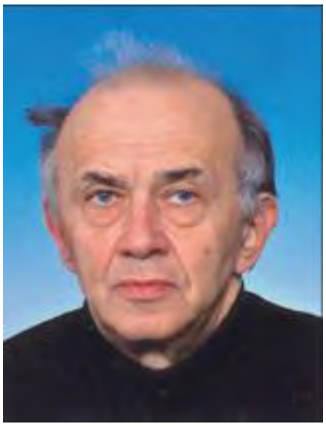
She began her professional career in 2005 at the Ministry of Education where she worked as an adviser in the Higher Education Sector. While working at the Ministry, she was the Secretary of the National Council for Higher Education and the Commission for Accreditation and Quality Assurance, and she also worked on the implementation of higher education reforms based on the Bologna Declaration. In the course of 2006 she was sent to Brussels to work on the Stability Pact for South Eastern Europe as a local expert on higher education. Dr. Jakovljević also worked at the State University of Novi Pazar as a teaching fellow at the Department of Economic and Law Sciences. Since 2010 she has been working at the University of Belgrade as the director of the Center for Quality Assurance and Secretary General of Conference of Universities of Serbia – KONUS, presided over by the Rector of the University of Belgrade.

Mr. Andreja Mladenović

Deputy Mayor of Belgrade

Andreja Mladenović was born in Belgrade on 15 March 1975. He is married with three children. By profession, he is an international manager and a lawyer. He completed his master studies at the European University Faculty of International Engineering Management, and enrolled to doctoral studies with the same university. He is fluent in English. In the period between 2000 and 2004, he served as deputy mayor of Zemun Municipality. In this capacity, he was dealing with issues related to sports and youth, refugee and social problems, and relations with religious communities. Thereafter, between 2004 and 2008, he served as a member of Belgrade City Council. He dealt with sports and youth issues. During this tenure, he also served as Vice President of the Organizing Committee of the European Youth Olympics, the games held in Belgrade in 2007, and as a member of the Executive Committee of the Organizing Board of the Universiade, also organized in Belgrade in 2009. Andreja Mladenović was a member of Zemun Municipal Council between 2000 and 2004. He served as the party whip of the Democratic Party of Serbia at the Belgrade City Council between 2004 and 2008, and also as of 2011 and up to the present.

He has been the Democratic Party of Serbia member since its inception in 1994, and served on various posts in the party ranging from a member of the party Executive Board, President of its Youth, spokesperson and chairman of the party Belgrade chapter. The Government of the Republic of Serbia, in November 2013, appointed Mladenović a member of interim authorities of the Belgrade City Council. Currently serves as the Belgrade deputy mayor.



Univ. Prof. Dr. Srđan Stanković

Professor Emeritus

The President of the Scientific Committee at Vlatacom Institute

Univ. Prof. Dr. Srđan S. Stanković got his Dipl. Ing. degree from the Faculty of Electrical Engineering, University of Belgrade, Yugoslavia, in 1968. He got his M. Sc. degree in 1972, and Ph. D. degree in 1975 from the same Faculty. His M.Sc. and Ph.D. dissertations were both from the field of System Identification; He was with the Institute for Nuclear Sciences, Vinča, Belgrade, Yugoslavia, from 1968 to 1972. Since 1973 he has been with the Faculty of Electrical Engineering, University of Belgrade, where he is currently Full Professor of Automatic Control. He held the Research Fellow position from 1972 to 1973 at the Eindhoven University of Technology, Eindhoven, the Netherlands. He held the Visiting Professor position at the Santa Clara University, Santa Clara, California, from 1987 to 1988, in 1998, 2001 and 2003.

He also held different part-time consulting positions in Government institutions and industry, as well as in research institutions, taking part in big research and development projects (Institute for Nuclear Sciences, Vinča, Belgrade, Iron and Steel Works, Smederevo, Institute "Mihajlo Pupin", Belgrade, Institute of Applied Mathematics and Electronics, Belgrade, Ministry of Health, etc.).

His teaching activity encompasses different fields. He currently teaches different undergraduate and postgraduate courses at the Department of Signals and Systems. He has been supervisor of about 40 M. Sc. theses and 15 Ph. D. theses.

Prof. Srđan S. Stanković published numerous scientific papers from the fields of System Identification, Stochastic Systems, State Estimation, Digital Signal Processing, Processing of Medical Images, Large Scale Systems and Neural Networks. He was also leader of numerous scientific and R & D projects.

He has been Scientific Coordinator of two Tempus Projects within the CARDS Program, related to curricula development and life-long education in ICT in Health Care. He gave numerous presentations of his research activities throughout the world.

He was Head of the Automatic Control Department at the Faculty of Electrical Engineering in Belgrade for many elective periods. He is currently Head of the Department for Signals and Systems. He was a member of the Theory Committee of the International Federation of Automatic Control (IFAC). He has also been a member of Organizing and Program Committees for numerous symposia, of Editorial Boards of scientific journals, as well as of different professional associations.

He is currently President of the Serbian Association for Electronics, Telecommunications, Automatic Control, Informatics and Nuclear Technology.

Univ. Prof. Dr. Srđan S. Stanković is a former President of the National Council for Higher Education of the Republic of Serbia, and now he is the President of the Scientific Committee at Vlatacom Institute.

Entrepreneurial University – the Third Mission

Dr. Vladimir Cizelj

CEO, Vlatacom Institute

Academician, European Academy of Science, Vienna

Vladimir Cizelj was born on April 28, 1951 in Ptuj, Slovenia. After completing his studies at the Faculty of Engineering, the University of Belgrade, Department for Electronics, Telecommunication and Control Engineering, he acquired the title of Master of Business and Administration in 1977 at the Bloomsburg University, Pennsylvania, the United States of America.

He first began working at the "Vinča" Institute of Nuclear Sciences, where he worked at the Laboratory for Theoretical Physics. He formed a department for development of special devices and systems (which still to this day is called "Cizelj's"). His scientific contributions stood out in various significant and complex military projects.

In 1997 Cizelj founded in Belgrade the private company Vlatacom Ltd, as the representative of the Motorola company. He was given recognition for outstanding perfomance from the President of CEO, Motorola Inc; USA, 2002.

As the most important result of his scientific work is the fact that Vlatacom received two important recognitions from the Ministry of Education, Science and Technological Development of the Republic of Serbia: in 2011 it was accredited as the scientific research and development center and on July 07, 2015 it was accredited as the first technological private research and development institute in Serbia that originated directly from the economy.

Nowdays, Vlatacom Institute conducts research and development and scientific work. Vladimir Cizelj made possible for the Institute to develop an intensive educational and scientific cooperation with other scientific and higher educational institutions in the field of international technology management such as, primarily, the European University in Belgrade. Mutual scientific projects are in progress with the University of Oxford, Florida Atlantic University, University of Brno, etc. Vlatacom will continue to intensify the scientific research activities, which is an essential prerequisite (Precondition) for successful business in the world market.

His work in Serbia in the field of information and communication technologies in terms of international business management for the purpose of economic development is undeniable.

Vladimir Cizelj was awarded honorary doctorate by the European University, Belgrade, and the title of Academician by the European Academy of Science, Vienna.

The Role of Research in Economic Development

co-author with Prof. Dr. Milorad Obradović

Univ. Prof. Dr. Lt. Gen. (Ret.) Milorad Obradović

Chairman of the Board of Technical Directors,
Vlatacom Institute

Milorad Obradović graduated from the Faculty of Electrical Engineering at the age of 23, he finished his studies for just three years and nine months, top of his class.

He began his career at the Military Technical Institute where he worked together with Rector Milija Zečević. He formed the Military Institute for Applied Mathematics and Electronics which was in charge of cryptosystems in SFRY.

As a Major General he was the assistant of the Chief of General Staff for communications, informatics and electronics.

When he was the director of the Institute he was awarded the AVNOJ prize in the company of Milorad Pavić, Emir Kusturica and others. He is the winner of two annual prizes “22nd December” by the Federal Defense Sector and numerous recognitions.

Simultaneously with his military career, he began his academic and scientific career. He was awarded the title of an Assistant Professor in 1975, that of an Associate Professor in 1980 and the title of a Full Professor in 1988, all at the Faculty of Technical Sciences, the Department of Electrical Engineering, Novi Sad. Having left the Military, at his own request, he completely dedicated himself to academic and scientific work. He is the author/co-author of more than 100 scientific papers and 8 books.

He has been at Vlatacom Institute since its establishment. He is currently the Chairman of the Board of Technical Directors.

The Role of Research in Economic Development

co-author with Dr. Vladimir Cizelj

Univ. Prof. Dr. Vidoje Vujić

Full Professor at the University of Rijeka, the Faculty of Tourism and Hospitality Management in Opatija
President of Croatian Chamber of Economy – Rijeka Office
Academician, European Academy of Science, Vienna

Dr. Vidoje Vujić graduated from the School of Pedagogy in Rijeka in 1981. He finished the postgraduate studies, scientific-research department, at University Centre for Economic and Organizational Sciences in Rijeka in 1985 and he was awarded academic title of Magister of Sciences in Economics, social – humanistic field. At the Faculty of Economics in Rijeka in 1991 he defended his doctoral dissertation and acquired academic title of Doctor of Social Sciences in Economics. He participated in the work of several scientific conferences in the field of entrepreneurship, business management, training and development of human resources. He is an expert in human resources. Quality manager and quality auditor with ÖVQ (EOQ) certificate. Trainer / teacher of entrepreneurs, managers and students. Consultant for investment studies and entrepreneurial planning. In 2007 he was appointed full-time professor and research fellow in the fields of economics, organization and management at the Faculty of Tourism and Hospitality Management in Opatija. He is a full-time member of Croatia’s network of consultants.
He wrote six books as a co-author and 94 scientific and professional papers from the fields of entrepreneurship, management, quality management systems, and development of human resources. He was a co-author in several scientific projects, he wrote several studies and reports, he was a reviewer of two books and several professional papers, he delivered many lectures at various seminars and other forms of education in Croatia and abroad.

Developmental Diversity and Potential of Central and South-East Europe

Abstract

Observing the development of the countries in Central and South-East Europe in the past ten years, it could be noticed that all the countries had a long recession and a slow recovery. When the development and competitiveness of certain countries are taken into consideration, it is noticeable that many indicators of development and competitiveness differ greatly. The majority of the countries in Central and South-East Europe need a systemic reform which will have an impact on the static economic and social development so that those countries could begin recording some positive changes on the competitiveness scale. It could be possible to reduce developmental diversities by managing and using the existing resources and potential in a better way as well as by using the EU funds more efficiently.

This paper analyses developmental diversity and potential of certain countries in Central and South-East Europe and their influence on the growth and development of economy and the quality of life and work in those countries. The development index is synthesized. The achievements, potential and role of the public management in the regional and local social and economic development to date are tackled.

Key Words: Management, Regional Development, Growth Rates, Competitiveness, Labor and Capital Market.

Univ. Prof. Dr. Dragan Lakićević

Full Professor at the European University at doctoral studies

Dragan Lakićević was born in 1952. He studied philosophy at the Faculty of Philosophy in Belgrade. He gained his MA degree at the Department of Contemporary Philosophy in Zagreb with the thesis on Karl Popper. He gained his PhD degree at the Faculty of Philosophy in Belgrade with the thesis on political philosophy of Friedrich von Hayek.

He worked as a teaching fellow and an assistant professor at the Department of Philosophy at the Faculty of Philosophy in Novi Sad.

Since 1994 he has worked at the Institute for European Studies in Belgrade, and since 2006 he has been the director of the Institute. He teaches, as a visiting professor, the Methodology of Scientific Research at the European University in Belgrade and Entrepreneurship in the Region at the University of Donja Gorica in Podgorica (Montenegro).

He published numerous books on philosophy and social theory under the name Dragan D. Lakićević.

Dragan D. Lakićević translated four books by Karl Popper in Serbian:

- Conjectures and Refutations,
- Objective Knowledge,
- The Lesson of this Century
- Auf der Suche nach einer besseren Welt.

He is the author of many texts in scientific journals, collections of papers and newspapers.

A Review of the Conditions for Successful Entrepreneurship

Abstract

The text starts from the evaluation of the economic situation in Serbia in the EU accession process: what follows is the attempt to formulate a proposal for the improvement of this not particularly favorable position. In that light we shall consider the need for the foundation of development banks, as well as savings and loans cooperatives financed by citizens. In this way domestic entrepreneurs could take out necessary loans at lower interest rates, as it is the case in developed economies. The second proposal refers to the reduction of taxes for ordinary citizens, who carry the burden of filling in the budget. This implies the change of tax policy and filling in state budgets through the taxation of the profit tax of highly profitable companies. The third proposal refers to the equalization of foreign and domestic investors in production, i.e. doing business under the same market conditions (the state has to either stop giving benefits to foreign investors or to expand those benefits to domestic economic entities as well). If the state does not protect the rights of domestic entrepreneurs and if it does not help them, what could be expected are only the additional pauperization of the population and the departure of the qualified workforce to economically more developed countries.

Univ. Prof. Dr. Ludvik Toplak

President of AMEU – ECM
Vice-Rector of Alma Mater Europaea
Academician, European Academy of Science, Vienna

Rector of the University of Maribor (1993-2002)
Ambassador of the Republic of Slovenia to the Holy See (2002-2006)
European Faculty of Law in Nova Gorica
Faculty of Postgraduate Governmental and European Studies, Brdo, Slovenia
President, European Centre Maribor 2008
Member of the European Academy of Science and Arts 2000
Member of the Collegium Observatory Magna Charta Universitatum (2000-2004)
Member of the Steering Committee of the I.C.H.E. (International Conference on Higher Education) 1999
Member of Paneuropean Union
Member and President of the Danube Rectors' Conference (1996-1999)
Member of the international committee European Forum Alpbach 1999
Governor of the American Chamber of Commerce in Slovenia (1999-2001)
Member of the board CRE-EUA (1998-2001)
President of the Conference of Independent Colleges in Slovenia 2009
Titles of Honor: STATE: Ambassador of the Republic of Slovenia in Science (2000);
UNIVERSITY: Golden award of University of Maribor;
MUNICIPALITY: Honorable member of Municipality

Contribution for the conference: European Management, Business, Marketing and Tourism Development with Special Emphasis on Central and South-East Europe

Univ. Prof. Dr. Ludvik Toplak

Management, per definition, is the process of decision-making, planning, and allocating the organisational, material and human resources.

Management as science developed as an independent academic discipline from the economics in the second half of the 20th century. Before that, in the first half of the 20th century, the economics developed from Law, as the fundamental academic discipline.

Moving on to the 21st century, a new practice and academic discipline developed from Management, called Leadership. Leadership is a process in which the person, the leader, stimulates the other persons to a certain behaviour, which leads to fulfilling the goals. Leadership to the major extent includes findings from humanities, especially psychology and anthropology. In this, I see the basic characteristic of development of the modern European management, business and marketing. Therefore, according to the American and European practice, the same rule should be valid also in central and South-Eastern Europe: managers manage, the leaders lead.

Many people quickly assume that being a good leader means you are a good manager and vice versa. The two concepts are quite distinct, but the question is whether this concept has already developed in such a way in central and South-eastern Europe.

In theory, according to Drucker, Management would consist of the interlocking functions of creating corporate policy and organizing, planning, controlling, and directing an organization's resources to achieve the objectives of that policy and common goals. In its extreme form this shows in bureaucratisation and the top-down principle.

Leadership, on the other hand, is the art of motivating a group of people to act towards achieving a common goal. This leadership definition captures the essentials of being able to inspire others and being prepared to do so. Effective leadership is based upon ideas, but won't happen unless those ideas can be communicated to others in a way that engages them enough to act as the leader wants them to act in an open democratic environment, with the presence of mutual empathy. Very important in this case is also the plurality in economy, in politics and in culture.

People say that managers are made, and leaders are born. However, in both cases, the local culture plays an important role. Why do the leadership and management styles differ from country to country? And why is the American style of management so different than the one in central and south-eastern Europe?

We live in a world of different traditions, business values, different communication techniques, business etiquette, business communication styles… The anthropologist Geert Hofstede talked about cultural dimensions that mirror themselves in managerial styles, including power distance, individualism, masculinity, uncertainty and avoidance. We would like to add the following elements that also seem important: competitive Darwinist competitiveness, legal and political culture that accepts plurality of ownership and culture.

Returning to the title of the conference: DEVELOPMENT OF THE EUROPEAN MANAGEMENT; BUSINESS AND MARKETING WITH A SPECIAL EMPHASIS ON THE CENTRAL AND SOUTH-EASTERN EUROPE; we can follow Hofstede's suggestion and think around the following issues:

- **The power distance**: how „equally" is the power distributed? What is the level of "comfort" among people of different status? How accessible are managers to workers in different parts of the world?

- **Individualism**: do managers define themselves in terms of “I” or “we”? Are employees expected to show initiative? Are they shy about approaching the counterparts to obtain information?
- **Masculinity**: **how high is the score of masculinity in the society?** Is the society driven by competition, achievement and success? With the “winner” or “best in the field” or do we, in central and south-eastern Europe still see this dimension differently?
- **Uncertainty and avoidance**: to which extent do the members of a culture feel threatened by unknown situations? How large is the degree of acceptance for new ideas, innovative products and the willingness to try something new and different? How tolerant are managers in central and south-eastern Europe of ideas and opinions from anyone? And do they allow the freedom of expression?
- **Darwinist competitiveness**
- **Legal and political tradition of plurality**.

What about the difference between the US and Europe?

Because the business environment in the United States is highly competitive across all industries, American companies are constantly seeking more effective methods of management and more efficient practices among their employees to boost productivity, lower costs and reduce attrition. Companies and managers in the United States rely heavily on teams to complete tasks and projects and achieve objectives.

Where does the Western European management style fit into? It shows features, similar to the US; relatively low power distance, individualistic society, flexible and liberal managerial style, competition and success driven society, managers with emphasis on equity, competition and performance. However, it is still difficult to speak about a unified managerial style of Western Europe. What about the Central and South-eastern Europe? Where do we fit?

In the US, leadership means getting things done, finding short cuts to prosperity, making money for oneself, one’s firm and shareholders. Chief executives are given responsibility and authority and then expected to act. They seldom fail to do so.

What therefore differentiates us in central and south-eastern Europe? In theory, since accession of the first former Eastern European countries to the European Union, there has been a discussion about two major groupings. CEE can be split in several sub-groups;

- South-East Europe (SEE) with Serbia, Monte Negro, Bosnia, Croatia, Macedonia, Romania, Bulgaria and Moldova and
- Central Europe (CE) with Slovenia, Czech Republic, Hungary, Poland and Slovakia

What differentiates us from the American, or Western European management and leadership? Most commonly, we would be determined by the size of the markets, level of development, capabilities of local executives, proximity to Western Europe, access to export, attraction to western investors, institutional education system, homogeneity and the economic transformation.

In practice, people are very often generalized into two categories, leaders and followers. The category of “leader” therefore requires certain psychophysiological features, education and experience

Always important is also the current “temperature” of the local employment market for managers and executives. In “hot markets”, there would be significant “job hopping” among younger executives and senior management. In more developed markets there will be less career changes but the executives would rather seek challenges that will strengthen their value as executives, and move more from management to leadership. It is therefore noticeable in the CSEE countries, that lately, the key demands at executive level in the region are for leadership skills, good business judgement, hands-on operational orientation and strong analytical skills. The companies will have to focus more on the issues of human capital, prioritise the development of managers and focus on results-oriented people with strategic thinking.

The problems we might still be faced with in these parts of Europe are the former, or older, autocratic management styles that make it difficult for the young and upcoming managers to make their way, because there is a need of changing the style of leadership. It is evident that the realities of the local culture don't always translate easily into daily practice, and that the weakest point in the organisation is the communication and delegation.

We should therefore seek the great opportunity in utilizing the CEE talent; talents, that have in the last decade or more learned to lead in the changing and entrepreneurial environment. This is a skill that will prove to be of a big value globally, not just in the CSEE. We see that the pool of local executive managers in the CSEE region has developed and is already amazing. The CSEE talent is working at high speed and will continue to do so in the future. And Alma Mater Europaea can assist in that.

Alma Mater Europaea of the European Academy of Sciences and Arts in Salzburg was founded as an academic institution exactly with that purpose, to implement scientific findings and a good academic practice in central and south-eastern Europe having in mind that there is only one Europe, that the central and south-eastern Europe is a constituent part of Europe, as it has been in history, it is now, and it should remain.

Alma Mater Europaea for this purpose developed the programme of Management of the 1st and 2nd Bologna cycle, as well as the master study programme European Business Studies, aimed at the countries of the southern and eastern Balkan, to support the area during the times of access to the EU, meant for those institutions that are working on legal, academic and other standards to align them with the EU norms.

At the doctoral level, Alma Mater developed two unique study programmes; Strategic communication management (which actually means Strategic leadership) and Project management in cooperation with the certification institute IPMA (International Project Management Association).

Alma Mater operates according to the principles of interdisciplinarity, transnationality and building bridges; analyses new practice including ***sharing economy and crowdfunding***. It is evident that the technological revolution is a revolution; that cybernetics is changing the classical economic practice and theories, and that the new cybernetics also gave us a new lift which requires theoretical approaches and academic efforts to recognize these trends, identifies challenges, sees good and bad sides of risks, and faces challenges that are presented by the new political and economic crisis, and in this spirit, we need a new management and leadership approaches.

Alma Mater Europaea with its Campus European Center Maribor is developing interuniversity cooperation with universities and other academic institutions in central Europe. We are particularly glad about the international cooperation and historic contribution which was given by the European University Belgrade.

Alma Mater Europaea together with the European Academy of Sciences and Arts is now part of the programme Next Europe in accordance with Sustainable Development Goals of United Nations. It is high time, that Europe together with its humanities-oriented identity from the Antique, Mystique, Roman Law, European Humanism, Renaissance and Rationalism, faced with new contradictions, recognises new balance of power– distribution of powers, historic trends and by itself defines its place and vision also through a NEW MANAGEMENT AND LEADERSHIP.

Univ. Prof. Dr. Zoran Simićević

Full professor at the Faculty of European Business and Marketing
Academician, European Academy of Science, Vienna

Dr. Zoran Simićević was Born on 17 December 1949. in Belgrade, Serbia.

Academic and professional Background: BS, Faculty of Economics, Belgrade, MSc, Faculty of Economics, Department of Business Economics, Belgrade, Ph.D. Faculty of Economics, Belgrade.

Career: worked as a Project Engineer of Information Systems, Economic Bureau, 1972-76; Head of Department for Organization and Management of Merchandise Trade, Institute for Merchandise Trade Development (became Scientific Institute 1985), 1984-1988; Chairman of Scientific Council, Institute for Merchandise Trade Development, 1985-1987. Finacial Consultant in the company Economic Adviser, 1988-1991. Full-time Professor of International Accounting, Management Accounting, Technology of Planning and Control, European University, Faculty of International Management, Faculty of European Business and Marketing, Institute French-American Faculty for Management-IFAM, from 1991 to present day. Pro-dean of Faculty of International Management, 1993-1995; Head of Department for Accounting, Technology and Information Science, European University, since 2000; Member of National Council for Education, 2002-2005; Member of the Accreditation Board of European University, 2006-2007; Chairman of European University Council, 2007.

More recent events: conferences: European Management and Business as a Factor of Integration of the Federal Republic of Yugoslavia into the European Union, Belgrade, 2000; The Reform of Education and Application of the Bologna Declaration between 2002-2004, Belgrade, 2004. Projects: Global Education, Project Director Prof. dr Milija Zečević, organized by the European Academy of Informatization, Brussels and European Academy of Science, Vienna.

Prof. Simićević published over forty scientific works and books, among which are: International Accounting, Management Accounting I, Management Accounting II, The Technology of Control Systems, The Technology of Processing Accounting Information…

The Role of International Accounting in Management Information System of a Multinational Company

co-author with Prof. Dr. Katarina Simićević

Abstract

Management information system provides information for an array of functional managerial activities within an organization. The importance of information systems for data collection and storage has been on the constant rise in the last few decades. Computers have become irreplaceable for the processing of different types of data. Managers' ways of thinking have significantly altered during this period. They have acknowledged the importance of the quick, effective and readily available information, especially in the areas of planning and control. The combined effect of these two factors has led to the growth of management information system. For a multinational company, which has subsidiaries around the globe, the accounting information that is timely and accurate no longer suffices. It has become necessary that such information is presented in a uniform way, so that management could compare the profitability of different subsidiaries. This has given rise to the emergence of international accounting standards and principles. They ensure unification in presenting business results of both companies and managers.

Key Words: Management Information System, Data Processing, Uniformity, International Accounting Principles and Standards.

Univ. Prof. Dr. Ivo Armenko

President of the Faculty of Business and Tourism, Budva, Montenegro
Ambassador of Montenegro in Athens, Greece

Prof. Dr. Ivo Armenko was born on 22 May 1946 in Montenegro. He graduated from the Faculty of Economics in Belgrade in 1969, and he was awarded his Magister degree at the Faculty of Economics in Belgrade in 1984. He received his PhD from the Faculty of Economics in Banja Luka in 2004. He began his career in HTP "Sveti Stefan" in 1968, where he worked until 1980 as a company director. From 1980 until 1986, he worked as a director of the branch of Yugoslav Tourist Association in London. From 1986 until 1990 he worked in HTP "Montenegro turist" Budva as a commercial director. Between 1990 and 1992 he worked in Yugoturs - London as an assistant director. From 1992 until 1996 he worked as a commercial director of HTP "Budvanska Rivijera". From 1996 until 1998, he was the member of the Government of Montenegro holding the post of the Minister of Tourism.From 1998 until 2004 he served as the managing director of HTP "Budvanska Rivijera". In 2004 he assumed the position of Ambassador of Serbia and Montenegro in Madrid. In terms of academic experience, he worked as a lecturer and professor at several higher education institutions. Since 2009 he has assumed the position of Ambassador of Montenegro in Athens and he has been hired as a professor at American University, "Indianapolis" in Athens as a lecturer in the Department "International Relations." In 2011, Dr. Ivo Armenko, together with Prof. Dr. Rade Ratkovic, founded the Faculty of business and tourism in Budva and there he teaches the courses of Marketing in Tourism. During the entire time of his involvement in the economy, Dr. Ivo Armenko was actively involved in many of the working bodies of the Government of Montenegro and professional associations. He was a longtime member and president of Tourism Board of Chamber of Economy of Montenegro, longtime member of the branch of the Tourist Association of Montenegro and the Tourism Organizations of Montenegro.

The Challenge of Marketing Repositioning of Montenegro Tourist Offer

So as to be able to speak about this subject and answer the question as to how to reposition Montenegro tourist offer at the European and world market thorough marketing activities, it is necessary to begin with the analysis of the current state of Montenegrin tourism and its position at the tourism market. First of all, we should draw attention to the fact Montenegro had a structural problem with tourist accommodation capacities for many years. Year after year, this problem became more complex by investing in and developing the tourist offer in terms of accommodation capacities and accommodation categories which did not correspond to the contemporary tourism trends worldwide. This primarily refers to building an enormous number of private tourist accommodation facilities of a very low category intended for the cheapest tourism market. According to our own research, corroborated almost entirely by Statistical Office of Montenegro, in 2007 Montenegro had at its disposal 37,000 beds in basic accommodation and approximately 280,000 beds in complementary services. It is estimated that Montenegro nowadays has just under 40,000 beds in basic accommodation and between 450,000 and 500,000 beds in complementary services. The period between 2006 and 2015 is taken as the period of the most intensive investments in tourism in Montenegro, and Montenegro is also considered the most active area in that period when it comes to tourism investments in the entire Mediterranean region. It is estimated that the investment in tourist accommodation capacities was approximately 6 billion €. If we assume that the data are true, we cannot help but wonder how come that, despite these huge investments in tourism, Montenegro remains an undeveloped tourist destination.

The answer to this question is clear and simple. The investments were unwise and valuable resources were wasted for ever such as the destroyed locations for modern hotels and other tourist attractions. It should be pointed out that this happened despite the existence of the remarkable regulatory framework at the disposal of the Government of Montenegro. And we also have in mind the Montenegro Tourism Development Strategy to 2020, policies and strategies for tourism development in Montenegro, and then a whole set of development plans at the level of spatial plan, general plan and municipality plan.

Univ. Prof. Dr. Rade Ratković

Dean of the Faculty of Business and Tourism, Budva, Montenegro

Prof. Dr. Rade Ratković was born on 8th September 1951. He graduated from the Faculty of Economics in Belgrade in 1997 and he gained his PhD degree at the University of Montenegro, at the Faculty of Economics in Podgorica.

From 1975 until 1992 he was the director of HTP „Montenegroturist“ Budva. From 1992 until 1999 he was the director of his own consulting firm FORIK Ltd. Budva (consulting in hotel management and tourism). From 1999 until 2004 he was the subdean of the Faculty of Tourism and Hotel Management in Kotor, the University of Montenegro, and from 2004 until 2008 the subdean of the Faculty of Tourism, Hospitality and Trade Bar, the University of Mediteran.

Since 2008 he has been the Dean of Algonquin – The Faculty for International Management in Tourism and Hotel Industry in Miločer and the vice dean of the Faculty of Business and Tourism, Budva. He creates business plans, programs for company reconstructions, does company valuation, he is an expert witness on economic and financial matters, he does organization and management planing in tourism as well as economic and financial expertise. In recent years he has worked on about ten projects as an international consultant, as a home expert, in the system of BAS consulting.

Univ. Prof. Dr. Đuro Đurović

Director of Belgrade Business School

Prof. Dr. Đuro Đurović, the Professor of Commercial Law, International Commercial Law and Business Communication, the director of Belgrade Business School – Higher Education Institution for Applied Studies, Belgrade.

Prof. Dr. Đuro Đurović was born on 15th May, 1955 in Kovren, B. Polje, Montenegro. He finished primary school (1961-1965) in Kovren and "Miloje Dobrašinović" high school (1969-1973) in Bijelo Polje. He graduated from the Faculty of Law in Belgrade, Master of Laws – Fiduciary Transfer of Ownership for the purpose of securing a Creditor's Claim (1998) and PhD at the European University in Belgrade in 2008 in the field of international relations and international companies management.

From 1983 until 1990 he worked for Wool Combinat Bijelo Polje, the secretary and head of legal and HR departments.

From 1990 until 2001 he was appointed the judge of the Basic Court in Bar by the National Assembly of the Republic of Montenegro.

From 2001 until 2006 he was appointed the judge of the Federal Court in Belgrade, the highest judicial instance in the country, by the Federal Assembly of former Yugoslavia. In his judicial career, he has more than ten thousand verdicts.

Since 2006 he has been a full professor of legal sciences and business communication at Belgrade Business School, he has also been appointed a full professor in the field of international law at Novi Sad School of Business (Vojvodina) and a professor at the Faculty of Law in Belgrade, teaching unit of University Business Academy in Novi Sad. Law Professor at the Diplomatic Academy in Belgrade.

Director of Belgrade Business School – Higher Education Institution for Applied Studies since Dec. 24, 2013.

Published a number of scientific papers, textbooks and books.

Prof. Dr. Slavoljub Vićić

The Director of the College of Hotel Management, Belgrade

Dr. Slavoljub A. Vićić was born in Ćićevac in 1957. He lives and works in Belgrade as a professor and headmaster of the Higher Hospitality School. After completing his elementary and high school studies he enrolled to Belgrade University Law School. Upon graduation he continued his studies at the same school and gained a degree of master of legal sciences. He defended his doctoral thesis titled “Legal position of public companies” with honor and earned the title of Doctor of Legal Sciences. He started his working career at the High, now Higher Hospitality School, as an expert adviser for legal issues, and after that as a head of the legal and administrative department. He was appointed lecturer for the subject Business Law in 1989, and later as a professor for subjects Administrative Law and Sociology. He was awarded a title of the assistant professor for the subjects Administrative Law and Commercial Violations with the Belgrade University Faculty of Security Studies in 2000. The Government of the Republic of Serbia appointed him to the post of Headmaster of the Higher Hospitality School in 2001 where he has been serving to the present. Dr. Vicic is the author and co-author of numerous course books and monographs: Business Law; Sociology, Public Companies in Administrative System of SRY; Business Law, as a co-author with Prof. Dr. Mirka Vasiljevic – three editions; Commercial Violations and Offences, as a co-author with Prof. Dr. Dragan Jovašević; Sociology, as a co-author with Dr. Miodrag Đorđević; European Union Law, as a co-author with Dr. Bojana Milisavljević. He is also author and co-author of several scientific and professional papers in the field of Law, Sociology and Tourism published in local and foreign scientific magazines and presented at conferences and congresses in the country and abroad.

Univ. Prof. Milan Aleksić

Full Professor at the New Academy of Arts, European University, Belgrade

Member of the National Council for Higher Education of the Republic of Serbia

Milan Aleksić was born in Belgrade in 1954.

He is a photographer. Before finishing MA studies in photography at Cornell University in the USA, he studied art history, and he graduated from the Faculty of Mechanical Engineering in Belgrade.

His works were exhibited at the Museum of Contemporary Art in Belgrade, the Museum of Contemporary Art in Skopje, Photography Gallery in London, Hartell Gallery in Ithaca (USA), Belgrade Cultural Center Gallery and many other galleries and museums in the county and abroad. Reviews of his exhibitions were published in international magazines The Sunday Times, Guardian, Die Zeit, Junge Welt, etc. He is an active participant in European and home institutions which are concerned with defining standards in higher education.

He is a full professor at the Faculty of Philology and Arts in Kragujevac, the New Academy of Arts, the European University in Belgrade and at the Faculty of Technical Sciences in Novi Sad.

He works as an expert for the European Commission, the Directorate General for Education and Culture. He is on the list of application evaluation experts within Tempus program and he is also engaged in other activities such as monitoring, IT and communication activities.

He was a member of the Commission for Accreditation and Quality Assurance of higher education institutions, 2006-2010.

He works as an expert for the Education, Audiovisual and Culture Executive Agency with the European Commission. He is on the list of application evaluation experts within the Culture program and he is also engaged in program execution monitoring and results evaluation.

The National Council for Higher Education member, 2011-2014.

Ass.-Prof. Mag. Dr. Walter Seböck, MSc, MBA

Center for Infrastructural Security, Head of Center

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Honorary Doctor of European University

Dr. Seböck completed his master's degree in 1992 and in 2005 his doctorate at the University of Vienna. The topic of his masters thesis was "International Policy and Conflict Research" and dealt specifically with the Palestinian uprising; the topic of his doctors thesis was "E-Government". Subsequently he worked as a PR consultant in a marketing agency and as a publishing director for continuing education literature.

After a period of entrepreneurship in the field of new media / internet during the nineties, he overtook the responsibility for the consulting division of a company that dealt with the impact of new working practices on the job market. Afterwards then he was appointed as project manager for the restructuring of the Technical Museum and subsequently became head of marketing and PR. In 2001 he received an offer from Danube University Krems to restructure a center. Since then, Dr. Seböck deals with the topics of electronic government and related security issues. The findings of several research projects have led him to design an electronic management platform, integrating the municipal sector contrary to the prevailing approach.

This implementation has required extensive studies and analysis of municipal sector and the technical possibilities. After a 3-year period of study and design work together with Dr. Parycek, he realized an electronic platform for local administration in cooperation with the Austrian Association of Municipalities at Danube University Krems in 2004. Therewith, Austria was the first and only country in the world to basically put an electronic network management at the local level for all municipalities. This development released the establishment of a clear focus on "e-Government", dedicated exclusively to the field of public administration and thus distinguishes Danube University Krems unique in this area. In 2006 an independent center for e-government was founded. This center is concerned with all aspects of communication in e-government.

Topics such as e-democracy, e-voting and e-participation are central themes that are treated very successfully in research projects, publications and international conferences. One of the most prestigious international conferences on e-democracy is carried out since 7 years at Danube University Krems. The expectant increase in traffic safety issues has been focused by Dr. Seböck in the area of information security. Within this area, parallel to the construction of the topic "E-Government", he implemented research projects and academic conferences relating to the issue of infrastructural security, and thus positions the Danube University Krems accordingly. The merging of different areas of occupational safety led to the start of their own center for infrastructure security in 2011. The combination of these two issues, pointed out a clear profile of an university for further education as the orientation of cross-cutting issues in both teaching and research interests of the economy and the institutional equivalent is demanded. On 1st January 2011, Dr. Seböck was also appointed as Dean of the newly established Faculty of Business and Law. In this new area the target focus is on expanding international cooperation, development of independent research activities and profiling of the "Business and Law School" in an national and international context.

Societal Challenges of Technological Innovation with Special Regard to Autonomous Vehicles

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Abstract

Automation will lead to new social and economic risks, but also to opportunities and chances.
The upcoming of autonomous vehicles represents the two main risks of the future.
On the one hand, the importance of ownership of vehicles will decline, as vehicles will then have a similar availability as today's "services on demand" do. This might lead to a decrease in the market for individual vehicle ownership in the long term. Furthermore, this could lead to the dismantling of huge numbers of jobs in the automotive sector and a shift of the remaining jobs to low-wage countries. This, however, entails the outflow of purchasing power, thereby initiating a lethal economic downward spiral. This study analyses if this development will be realistic or if there are alternatives. On the other hand, there is the risk of a division of society. While one part of society has the knowledge to understand the technique of autonomous vehicles, the other ones do not have these skills. This will lead to the circumstance, that the second group has to believe in everything, told by experts, and the first group has the ability to intervene in the technique for their own personal advantage. This will lead to dependency and possibly the end of self-determination of a huge percentage of people. Moreover, because everybody wants to get out the best of it, the crime-character of »Hackers« actions gets trivialized. Therefore, the society is no longer split in »good vs. bad«, but in »knowing vs. unknowing«. To counteract these both developments, the Austrian research project »KIRAS -Cybersicherheit in zukünftigen Verkehrssystemen« conducted a Workshop and a survey with stakeholders from the security and consumer field in order to discuss responsibility and necessary changes for the future and to implement this knowledge into strategic recommendations for future development.

Key Words: Autonomous Vehicles, Development of Society, Employment, Knowledge.

* * *

1 INTRODUCTION

The concept of autonomous vehicles is fascinating: without having to steer actively the car will autonomously drive from A to B, meanwhile the passenger can prepare for the next business meeting, read the newspaper or sleep and can save money as it is no longer necessary to own the car, as autonomous vehicles are always available "on demand".
Furthermore these cars will protect the environment due to their electric motors.

Despite all visions and dreams of autonomous vehicles and their relief, however, one must also consider the disadvantages, limitations and possible dangers of autonomous vehicles in order to avoid potential dangers. In autonomous vehicles, all decisions are no longer made by oneself but by the system. Vehicles will consequently be automatically routed and redirected by traffic control centres if there is a traffic jam on the route, the route is not passable or faster routes are available.

Autonomous vehicles will thus move the individual interests behind the interests of the group. Although social well-being is massively emphasized, this is done on the basis of the withdrawal of individual interests. Ethics committees are currently discussing who will be responsible in the case of accidents in autonomous systems. Is it the driver, the system manufacturer or the car/system itself? How will we manage to program systems that have to make the decision, whether an obstacle should be raised or omitted? Ultimately, the development results in the entrusting of control systems concerning to the own and the life of many others.

On the other hand, the age of autonomous vehicles will also lead to a disruptive change in production, ownership and usage of cars. Actually it is normal to buy a car in order to use it but also to represent a social status. In the future, this representation will be reduced to the background and the use of the vehicle in the sense of demand-oriented availability will be the main focus. This leads consequently to new forms of demand and different production of cars. The question concerning the societal consequences of autonomous cars is, what will happen, if the demand falls or will be dramatically reduced. Are there signs for that and what will be the consequences? In order to investigate this, we analyse four studies with a global approach.

In addition when thinking about autonomous vehicles, we talk about little computers on four wheels. Just as the use of computers also the handling of autonomous vehicles is not that simple for everybody in society. This leads, based on the »digital divide«, to the intensified division of society. But what will this mean for society as a whole and how could we counteract this development? To answer these questions different theories to the topic are analysed.

2 METHODICAL APPROACH

To answer the research question different methods were used within this study. First a theoretical meta-analysis was carried out. To find out the state of knowledge, existing literature to the topics autonomous and connected vehicles and their impact on society was collected. The literature consisted of scientific papers and theoretical works as well as media reports. By the use of a literature analysis there could be carved out some threat scenarios as well as central issues and questions of the future. As a form of literature analysis there was used the qualitative content analysis of Mayring (2003, 2005). The process of this method is based on specific theoretical guidelines and follows explicit rules of coding. To remain true-to-life the existing categories get adapted to the empiric material (Mayring, 2005, pp. 471-474). In particular the textual material of this study got evaluated by the structuring content analysis, which focuses on specific issues of the text (Mayring, 2005, p. 473).

In the next step the theoretical material should be back referenced to practice. Therefore there were used the qualitative and the quantitative method to get out the best from both methods. First there was held a qualitative focus group with the target group of experts and stakeholders from the security field. To realize this, the theoretical material was prepared in five open questions, which were discussed within the focus group. The qualitative focus group suites well, to produce concentrated amounts of data to the researcher's topic of interest. One of its strengths is, that it is possible to start productive discussions and therefore to collect different thoughts about a topic as well as agreements and disagreements (Morgan, 1997, p. 13). „Summarizing the strengths of focus groups, we find that what they do best is produce an opportunity to collect data from groups discussing topics of interest to the researcher." (Morgan, 1997, p. 16) The aim of the focus group was to discuss the theoretical findings from the literature analysis, to find new perceptions and insights as well as to supplement the central issues and questions of the future concerning autonomous and connected vehicles.

Finally to complement the qualitative research, a quantitative survey was produced and spread around the target group of security experts and stakeholders. Therefore the theoretical findings of the literature-analysis where prepared in closed questions and presented as online survey. The standardized survey is often called »silver bullet of social science« (König 1974), because it allows calculating indexes and make comparisons. The method is fine to find out the attitudes and opinions of the target group and to reach a huge amount of people. The online survey as special method of quantitative questionnaires has the advantages, that it is a fast, cheap and designable way to get your questions answered (Diekmann, 2010, pp. 520ff.). The aim of the quantitative survey was to answer some of the questions, which were created within the meta-analysis.

3 SOCIETAL RISKS OF THE FUTURE

When analysing different theories and studies there could be found many societal threat scenarios, some of them are mentioned in the introduction. By examining the topic two scenarios which occur as the most dangerous threat scenarios regarding possibility and impact were identified. Social scenarios are decoupled from the technical security risks and represent a long term, substantial change concerning the societal security.

3.1. The impact of autonomous vehicles on jobs and economy

By analysing different studies, we identified different societal and economic scenarios whereby the dismantling of jobs and a threatening economic downward spiral are the most important social and economic challenges. Due to the economic dynamics of disruptive technologies there is a predictable possibility of new products and target groups resulting from the changed behaviour concerning mobility.

The initial situation: The scenario focuses on the individuality of today's automobile versus a future use of cars. In the case of fully autonomous vehicles, the importance of ownership will decline because vehicles would have similar high availability as today’s »services on demand«. In this case, the respective use of the vehicle would be in the foreground and no longer, as now, the prestige oriented property. This would merge the prestige oriented vehicle purchase and the pragmatic use of the vehicle. In the future, the use of autonomous, collectively used common vehicles, such as public transport buses or trains with autonomous individual traffic (such as those used for holidays, family weekends or business trips) will alternate (Johnson, 2015, p. 3). This initial situation appears to be without alternative, but it is not, which we will show.

3.1.1 The dismantling of jobs and the economic downward spiral

The economic impact of this scenario could on the one hand be that the market for individual vehicle ownership would disappear in the long term, since only public transport and individual rental variants or similar structures exist. Since, in this case, municipalities or fleet managers are the owners of the vehicles; this oligopolistic market position increases the negotiating potential versus the automobile industry with regard to durability and guarantee possibilities. Following the laws of market power, the vehicles would become more durable on the one hand, and secondly more reliable, on the other. This reduces the number of units sold and guarantees a higher TCO for the owners. In this case we exclude the possibility of a planned obsolescence in order to increase the frequency of procurement (Zhendong et al., 2017, p. 433ff.).

The negative effect of this scenario would be the elimination of individual vehicle ownership. This can lead to a breakdown of relevant vehicle sales (Johnson, 2015, p. 3). According to this study, vehicle sales in the US could drop by 40% over the next 25 years. This would reduce the total number of vehicles in the US to 100 million vehicles. Currently 250 million vehicles are on the road in the USA. A similar result was found by researchers at the University of Michigan (Schoettle, Sivak, 2015, pp. 8ff.).

The social outcome in this negative scenario would be dramatic. If sales decline by 40% (Johnson, 2015, p. 3; University of Michigan, 2015, p. 8), this would lead in the worst case to the dismantling of approximately 50% of the jobs in production and service and the remaining industrial- and service-jobs might be shifted to low-wage countries. This, however, entails the outflow of purchasing power, thereby initiating a lethal economic downward spiral.

3.1.2 The possibility of an alternative development

In order to analyse the automotive sector in depth, which would be beyond the scope of this study, all the actors involved must be considered: the automotive industry, which is made up of car manufacturers, automotive suppliers, manufacturers of bodies, superstructures and trailers. Other sectors are electrical engineering, metal-, chemical-, plastics- and textile industries and mechanical engineering. Research facilities play also a relevant role. The downstream sectors include dealers and service stations, logistics companies, special banks, insurance companies, experts, development offices, TÜV and breakdown services (Deutsche Bank Research, 2017, p. 8; McKinsey & Company, 2016, p. 6). All these sectors contribute to the added value and will play an essential role, even if the users change their behavior. With

respect to digital/autonomous vehicles, other sectors can also be integrated into this value-chain, such as IT and consumer electronics companies.
As an example, the increased availability and the permanent use of the vehicles increase the effectiveness of individual traffic. Vehicles currently standing 20 - 23 hours per day will be permanently used which will reduce the necessary parking and traffic areas and make them available in favor of the social community.

Regarding the mentioned scenario, on the other hand, it must be taken into consideration that while consumer behavior is changing substantially and »on demand services« are moved to the front, as a result of which the individual car purchase can be reduced by 40%, the intensive use of the car sharing/on-demand vehicles, these car-fleets experience a very high procurement fluctuation, which could lead to the production of vehicles on the same level.

The Deutsche Bank study (2017) therefore reaches this conclusion: here, the positive effects are that the decline in individual purchases will be offset by increased vehicle use and therefore an increased production of car-sharing vehicles. As a consequence, there will be little change in the production volume, but the changed user behavior will create a new downstream service industry as well as new business models that create new jobs (Deutsche Bank Research, 2017, pp. 9ff.). McKinsey even predicts a growth of 30%, which is directly linked to the new digital business models (McKinsey & Company, 2016, pp. 6ff.).

Moreover also other positive economic effects of autonomous vehicles should be taken into consideration: decreasing healthcare costs due to the increased safety of autonomous vehicles, the new mobility behavior of the elderly and persons with physical disabilities, new possibilities for space utilization by constricting traffic and thereby gaining valuable urban space, to name just a few.

The positive scenario therefore assumes a steady or slightly rising production, so that no industrial jobs will be lost and additionally new jobs will be created, which correspond primarily to the changed user behavior.

3.2. The intensified division of society

3.2.1 First there was the »digital divide«

The second main risk which occurs concerning the arise of autonomous and connected vehicles is the intensified division of the society. This division arises out of the so called »digital divide« which is already nowadays an important topic. »As used here, the term ‘digital divide’ refers to the gap between individuals, households, businesses and geographic areas at different socio-economic levels with regard both to their opportunities to access information and communication technologies (ICTs) and to their use of the Internet for a wide variety of activities.« (OECD, 2001, p. 5) The study from Deursen and Dijk (2015) shows, that the »digital divide« consists of limited access in four areas: motivation, material, skills and usage. To not get harmed from the digital divide one need to have the motivation to become a part of the digital world, the physical access to it, the skills to use the instruments to participate and as well the time to do so (Deursen, Dijk, 2015, pp. 380f.). Dependent on these variables the society gets divided into two classes: the ones linked to the internet and the ones not linked to it. This division leads to a politically important development, because in the nowadays existing information-society information and knowledge is translated into power. Therefore inequalities in knowledge lead to inequalities in social power (Bonfadelli, 2002, p. 66).

3.2.2 Intensification through smart vehicles

Within this already difficult situation the development of autonomous and connected vehicles arises. This leads to the extent of the »digital divide«, which now also occurs with regard to vehicles. To refer to the areas mentioned before (Deursen, Dijk, 2015, pp. 380f.), there is the need to be interested in using an autonomous or connected vehicle. Moreover it needs the financial resources to buy such a vehicle, the skills to use and understand its functions and the practice to handle it. Therefore the »digital divide« gets intensified by the development of smart vehicles. Also at this area knowledge and information lead to power and therefore the inequality in social power rises. While one part of society has the knowledge to understand the technique of autonomous vehicles, the other ones do not have it. As a consequence of this lack of knowledge, also the capacity to act of this part of the society gets reduced. While the »unknowing part« of society has to believe what the »knowing part« of society tells them about the technique and gets very dependent, the »knowing part« is able to intervene in the technique for the reasons of personal advantage. This depends on the development that everybody wants to get out the best of it. While the »unknowing part« of society is not able to fulfil this wish for personal advantage through intervening in the technology on their own, they start to purchase these services from the »knowing part« of society. This leads to the growing of self-administered justice and the fundamental trivialisation of »hacking« as a crime. Moreover another consequence is the arise of the career-model »Hacker«. Therefore it is observable, that while the border between »good« and »bad« gets even weaker, the border between »knowing« and »unknowing« reinforces. This finding can be strengthened by the statements from Jordan and Taylor (1998). They found out, that the demonisation of those who manipulate computers arises from the fear many people have of the power of computers over their lives (Jordan, Taylor, 1998, p. 776). This fear arises from insecurity in regard to technology and is rooted in a lack of knowledge about this topic.

3.2.3 Possible solutions against continuing division

To counteract this development measures must be implemented at the overall beginning of the problem, therefore against the »digital divide«. While the implementation of autonomous and connected vehicles is another brick in the wall, the causal problem is the already existing division of society through the knowledge gap. To counteract this problem measures must be set in different areas like awareness and motivation, physical and financial access, skills and education as well as usage and user-friendliness.

The authors Deursen and Dijk recommend, that policies should address all access stages they mentioned simultaneously: »Although the sequence has a conditional nature in the respect that skills, for example, will not develop without a sufficient Internet attitude or motivation and without physical and material access, all stages have their own grounds of determination and interact together to shape cumulative digital inequalities.« (Deursen, Dijk, 2015, p. 387) Also Bonfadelli mentions, that policy must not only focus on questions of supply and access, but also on the education content provided by the internet and the communication skills of the potential internet users (Bonfadelli, 2002, p. 82).

The empirical investigation showed, that security stakeholders overall mentioned the political actors as responsible for the »digital divide«. As operational measures against the knowledge gap some points were outlined: earlier education regarding technology, higher quality of education regarding technology as well as more trainings and possibilities to inform about new technologies in terms of lifelong learning and a fast developing technology. But as far more relevant as operational measures the stakeholders postulated a new way of thinking. When discussing the topic, stakeholders advised to overcome stereotypes and to implement a new thinking far away from exclusion and divide. This idea was already named by Warschauer (2003), who mentioned, that technology cannot be seen as an external variable to be injected from the outside to bring about certain results: »It is woven into social systems and processes. And from a policy standpoint, the goal of bringing technology to marginalized groups is not merely to overcome a technological divide but instead to further a process of social inclusion.« (Warschauer, 2003, p. 47) This means to mobilize community and institutional support toward achieving community goals (Warschauer, 2003, p. 47). Since 2003 the importance of this topic increased, especially regarding future developments like autonomous and connected vehicles as well as the internet of things and artificial intelligence.

4 CONCLUSION

In our studies, we were able to show that the development of autonomous vehicles will be a technical challenge. Regarding all the above mentioned reasons, the development of autonomous vehicles is from an economically and social sciences perspective nevertheless welcome. Ideally, the technical development will lead to the support of different groups of people (elderly and disabled people), contribute to the reduction of accidents and thus prevent suffering and realize an enormous saving potential. Furthermore, this development provides sustainable mobility solutions under the aspects of ecological compatibility and also provides the chance for new jobs and business models. On the basis of the lost jobs, new jobs will emerge that bridge the digital economy and society.

In principle, however, these new jobs will only be feasible on the basis of a well-trained workforce in both production and (above all) the downstream service, provided that a high level and a culture of innovation and permanent change exist, matching the high global speed of the digital world. The basic condition for all these developments is education, which must start as early as possible in order to keep the country's economic location attractive.

Our study shows, that measures can only lead to a useful result, if actors from politics, economy, technique and society work together. Therefore politics and economy should think about education policies and new ways to educate the workers of tomorrow. Actors in technique and society should work on awareness, trainings and education of society to develop an easier access to technical contents and operations. As a result, we recommend examining the scenarios and initiating appropriate labour market management instruments to train future workforce the above mentioned areas.

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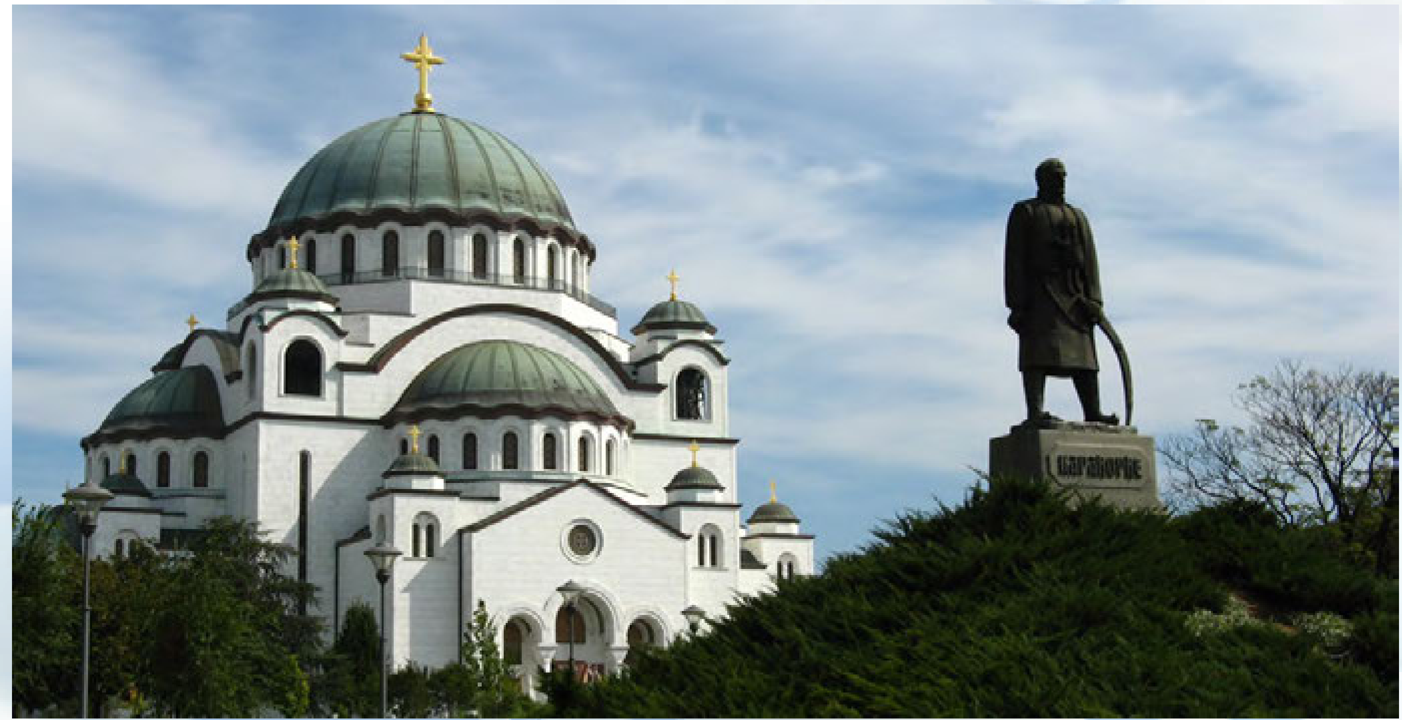
EUROPEAN MANAGEMENT, BUSINESS, MARKETINGG AND TOURISM DEVELOPMENT WITH SPECIALL EMPHASIS ON CENTRALLAND SOUTH-EASTTEUROPE

SESSION 1

European Business and Marketing, Cultural Diversity and Tourism



St. Sava Temple and Monument of Grand Vožd Karadjordje, Belgrade, Serbia

Univ. Prof. Dr. Leposava Zečević

Full Proffesor, Dean of the Faculty of European Business and Marketing
Head of Marketing Department

Prof. Dr. Leposava Zečević was born on April 24, 1970 in Belgrade. She completed elementary and secondary school in Belgrade. In 1992 she completed undergraduate studies in Belgrade at the Faculty of Economics, Department of Marketing, with thesis titled “The product and price promotions as elements of the marketing mix”. In 1994, Prof Dr Leposava Zecevic completed IFAM MBA University and acquired the title of BBA-IFAM - graduate manager of international business. In 1997, at the Faculty of International Management, she completed postgraduate Master’s studies, with Master’s theses on the topic: „International marketing and creative approach”, thus gaining the title of Master of Science International Management. In 1999, at the Faculty of International Management Prof. Dr. Leposava Zečević defended her doctoral theses entitled: „International Marketing - a global management approach” and thus acquired the title Doctor of Science International Management.

At the Faculty of International Management in the same year, Dr Zecevic gained the position of Assistant professor. In 2003 at the European University - Faculty of European Business and Marketing she gained the position of Associate professor for the courses: International Marketing and European Marketing, and in 2007, gained the position of Full Professor for the scientific field - management and business.

Dr Leposava Zecevic is the Dean at the Faculty of European Business and Marketing and at the moment, she is full professor for the courses: Marketing Principles, International Marketing - global approach, Marketing Strategy and Management. Prof. Dr. Leposava Zečević is the author and co-author of numerous scientific and professional papers published in domestic and foreign magazines and monographs, of numerous books, and has participated in a number of scientific symposiums at home and abroad.

Marketing Strategy Development in Central and South-East Europe

Univ. Prof. Dr. Leposava Zečević

Abstract

In the contemporary world under the influence of global companies and new current consumers the fast lifestyle marketing strategy has changed. New products are placed on the market very often so the number of stages of the life cycle of the product gets smaller and smaller. Some of the products stay and some do not, without even thinking if the consumer wants these changes. Marketing strategy of the product and the company must be in accordance with the first and primary mission and vision of the company. With constantly wanting to fulfil the consumer's need, the mind flow of the company got lost, and also with the never ending development of the new products our consumer ends up with a noise in his mind. The primary products stay, but in the palette of products, enriched products are constantly added and they disappear after one season. The result of the interaction of the need of the consumer and putting the new products on the market is unsynchronized. In the marketing strategy the main advantage of targeting the information to the consumer is happening with digital marketing. Creative communication through digital marketing focuses on a segmented market, the target group of consumers, through which the company is positioned. In this paper we will introduce the push and pull strategy which applies to the product type and consumer's sophistication.

Key Words: Marketing, Strategy, Segmentation, Diversification, Target Group, Marketing Communication, Digital Marketing.

* * *

Introduction

The origin of the word strategy means attack, attacking, conquering which can be applied as conquering different markets with the right marketing strategy. Once, the company would write a one year, five year and ten year strategic plan. However, because of the development of the company's market and the consumer fever, marketing strategies are changing multiple times in one year today.

Marketing strategy is always supposed to be made according to the original mission and vision of the company. Every step in the company, including every marketing campaign of every product or service in the assortment should be in sync with the original mission and vision of the company. Only that kind of thinking brings the long term results and avoids confusion of the consumer. However, due to the turbulences on the market and consumer's countless demands, companies become scared and change their marketing strategies constantly and very fast.

How did the planning of the marketing strategy change? The long term plan describes the main actors and forces which will impact the organisation in future years. It also contains long term goals. This kind of plan should be updated every year so the company would always have an up to date long term plan.

Annual (short term plan) describes the situation in which the company is currently, it's goals, strategy, activity program and a budget for the next year. It should also mention the system of controlling that all of these plans go the way the company wanted in the first place.

The Strategy of International Marketing

Together with the functions of management, marketing is subject to the impact of international operations. Whether a company dealing exclusively with export from a domestic basis or a multinational company with fully integrated global operations, it will experience at least as many different marketing requirements as there are countries in which it trades. The complexity of international marketing originates from the necessity to understand different environments in delivering a company's services or products to foreign consumers. Thereby, the function of international marketing management must meet up certain requirements. These assume the following:

- Use of research of international marketing in order to determine different possible final users of services or products.
- Classification of potential consumers by means of segmentation methods.
- Modification of the product (or creation of new products) in order to satisfy the consumer in thus set up markets (product strategy).
- Setting up a strategy of international price assessment, for deciding upon the selling price range, which will help the company achieve a significant advantage in chosen foreign markets.
- Development of a promotional strategy in order to inform potential clients about the characteristics and the useful features of the product.
- Foundation of one international distributing system which provides a satisfactory level of services for foreign consumers.

All of these assignments are part of the responsibility of the international marketing manager. A successful implementation is extremely important for the success of the company in global markets. However, in spite of being an indispensable condition for the company's maintenance, a perfect marketing management is not enough by itself.

It is never exaggerated to emphasize the importance of understanding the different nuances of practical business operations and customs in foreign countries. In many countries this attitude is the most important element in achieving success, and the marketing cadres have to understand and apply adjustment to a specific culture. This doesn't mean that international marketers have to give up their own way of doing business, but they certainly cannot expect or request foreign consumers to give up their customs. On the other hand, certain attitudes on belonging to a nation can bring good results in some foreign countries. For example, the way Japanese businessmen react in unexpected situations, which imply being relaxed and calm, results in their much better acceptance in the Middle East.

As avoiding national strategies is of high importance, there are certain characteristic behaviours that can help the international marketers to define their attitudes. We can specify the following:

In the Orient: Stress your attitude in such way that it doesn't become obvious that you are winning an argumentation. In this way your opponents will not get into the situation of losing their reputation.

In Italy: Try to win during your conversation, in this way you will be taken seriously.

In Switzerland: Express yourself clearly; in this way they will understand you literally.

In Great Britain: Use the approach of indirect convincing.

In Germany: Use the approach of direct and firm convincing.

In Mexico: Emphasise the price of the good.

In Venezuela: Emphasise the quality of the good.

International marketers must also be aware of some other specificity of foreign countries. Firstly, the form of business ownership can vary, e.g. in Great Britain many more companies are appointed in the stock market than it is the case in Europe or in America. Family businesses are much more common abroad, especially in developing countries. Secondly, the size of foreign companies can mislead the managers in terms of management attitudes. We cannot claim that managerial values in e.g. big Japanese companies are equal to those ones in companies in Great Britain or the USA. Thirdly, managers of specific levels often attain different positions regarding authority and responsibility in foreign countries than they had on domestic grounds. For example, authorities in Asia and Africa and their companies often cluster firmly in the top. Finally, the attitudes of governments, syndicates, shareholders, and most importantly consumers, vary from one country to another.

Marketing Research

The role of the company's internal informative system in providing data for marketing decisions is forgotten in marketing research. The research can often be facilitated by setting a necessary data base and collecting internal data; this is especially important for international markets as much information that can be collected within the company are ignored or lost. Useful data can include the history of sales by product or by product line, by consumer and sales force, by distribution channels in one or more countries; analyses of such historical data on trends in different countries and regions; the derivation and the analysis of contribution per product, product line, consumer and region; and the development of the markets' reaction function in different countries in order to compare previous marketing mix decisions and suggest future decisions that can differ from one country to another, within a country or from one region to another.

Once marketing research is done, the obtained information should be analysed in order to answer questions on future marketing plans and actions. The main relevant questions for international marketing can be classified into two categories:

1. Market and competition choices.
2. Marketing mix with a special focus on the product choices.

Regarding the market and competition, a company should mostly take care about the following:

- To understand how it is ranked by consumers in comparison to its competitors.
- To determine its chances in attracting consumers.
- To decide whether to compete or to collaborate with its competitors.

Regarding the product and marketing mix, the company should pay attention to the following:

- Choosing product it will introduce, which channels of distribution it will use and how it will propagate and promote the product.
- Identification of barriers for attractive markets and finding ways to exceed them.

Cultural Research

Core values are constant and dominant and shared by people who belong to the same culture. Advertisers must acknowledge cultural values and their shift, in order to liaise with the ones the advert is dedicated to. If you see a selection of adverts from the previous half of the century, you will definitely notice some shifts in cultural values, expressed in advertising. It is not likely that you will see disrespectfulness in a commercial from the 1940s or 1950s, when patriotism, development, family, respect for the older and other values were dominant. Besides, what functions well in one cultural segment may not function in another. Even though it is often difficult and always a risk to generalize any group of people, researchers discovered cultural tendencies advertisers should take into consideration.

For example, an advert showing a mother, father and a couple of children laughing at the dining table, can transmit the feeling of family unity to many people living in the USA, but people from the Balkan semi islands, or Italians may wonder why grandparents or grandchildren are not shown in the advert, as their households often include a larger family.

The final question related to the values of international advertising is politics and this subject must be approached very carefully. People often travelling around the world for business reasons, are warned to avoid discussions about politics, and the same warning is valid for advertising in a big number of countries. This topic is simply very sensitive in many countries. For advertisers in the USA, it would be perfectly acceptable to mock the US government in their adverts, but do not try to make fun of other political systems when advertising in other countries. A Swedish furniture company learned their lesson when they made adverts for Hungary in which it mocked communism in post-communist countries. Even though the communist government was ejected two years prior to this event, Hungarian consumers didn’t like the fact that someone outside their country made fun of their former political system. The complaints were so loud that the company withdrew their adverts.

The Interaction of the 21st Century Consumer and the Company

The requests of the today's consumer are getting more and more complex, so the companies try to answer all those requests with the wide range of products. The consumer's fever in this century is making companies widen their range of products so they could satisfy same consumer's need on the diversified way. Following that, the disproportion of the market appeared, because companies can not keep and control that number of new products.

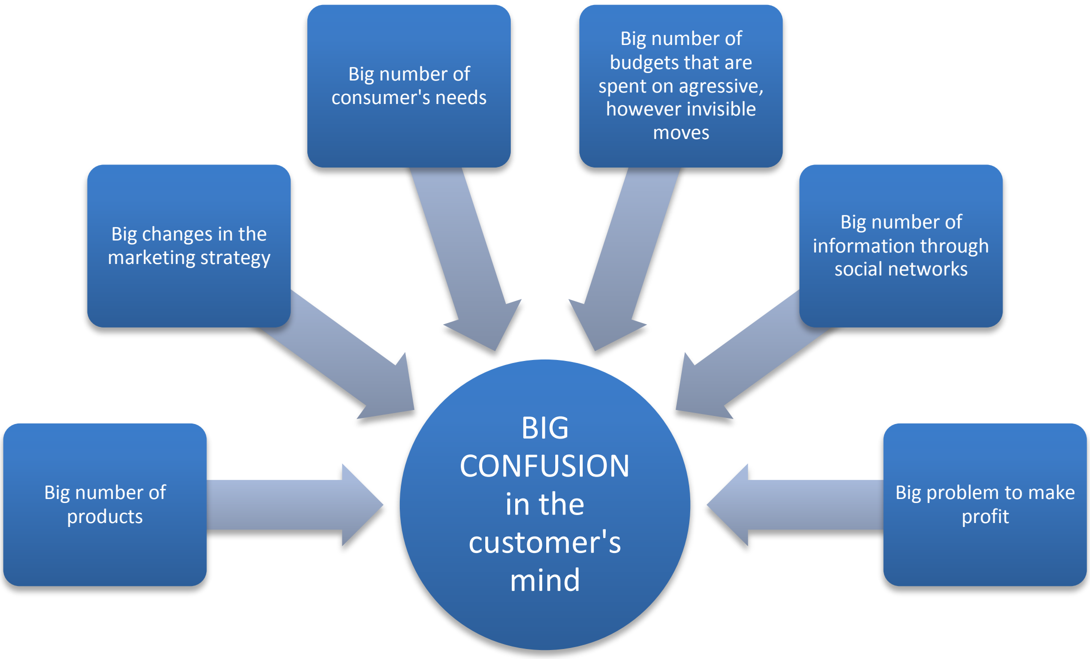
The consumers are becoming attached to the new products (the alternative of the already known original product), but the alternative disappears from the market in a year. A new alternative with fresh characteristics is offered this season, and the goal of that is to answer the newer and newer consumer's requests in sync with the new trends. What if the previous product had a better reception than the new one, and the consumer can not find it on the shelves?

Communication with the company is more direct today because of the digital marketing- social networks, following that the demands of the consumers are answered immediately.

Because of the wide range of products that are appearing on the market every year, the promotional campaigns are made - it's most visible component are commercials. This is the way to create noise in consumer's mind and the consumer reacts defensively. New products are constantly appearing on the market so the life span of the product becomes shorter. Some of the products stay, and most of them have a seasonal expiration date without considering if the consumer wants that kind of change.

Conclusion

The result of interaction between the consumer's need and appearing of new products is unsynchronized



The future of the marketing strategy should focus on longer fazes of the product's life span. They should also put new products on the market slower, and not try to be in sync with the competition's rhythm, because you might lose your loyal customers. (This mostly applies on everyday products)

In the technical industry, the race for the most perfect performance can bring fatal consequences for humanity. The machine can not be a substitute for a man.

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Prof. Dr. Olgica Zečević Stanojević was born on 28 December, 1967, in Belgrade. She finished primary and secondary school and the Faculty of Philology (1992) in Belgrade where she also gained her MA degree (1997) and PhD degree (1999) at the Faculty of International Management.

She started her professional career at the Academy of Pedagogy (1992) and the Faculty of Teacher-training in Belgrade. She continued her academic teaching career at the Faculty of International Management and IFAM, European University (1995), where she is still a full professor at Bachelor and Master studies in the field of Management and Business for the courses European Cultural Environment, Cultural Diversity, Cultural Relations and International Cultural Communications at the Faculty of European Business and Marketing in Belgrade. She has been continuously working on cultural diversity and intercultural communication in the field of management and business since the beginning of her academic and teaching career at the European University. She is the author and co-author of numerous academic works and a participant in scientific research projects both at national and international academic and professional conferences in the field of management and business, and she published several editions of the book 'European Cultural Environment', 'Cultural Relations' and 'International Cultural Communications'.

The Role of Intercultural Competences in Central and South-East Europe Business Environment Development

Univ. prof. dr Olgica Zečević Stanojević

Abstract

Knowing and having awareness of how culture affects the values found in the workplace is of considerable importance for an international and European business and business environment which operates in different countries. Business process and practices may vary depending on cultural values which also determine attitude towards business.

The relation between culture and the values in the workplace has been accentuated in the studies by anthropologists, psychologists, linguists, sociologists, managerial and marketing experts. Their research and results are interesting for explaining intercultural competences as a multidisciplinary field.

Intercultural communication requires language knowledge as well as understanding of the shared rules of communicative behaviour and business environment. Language knowledge and communicative behaviour help overcome verbal and non-verbal acts accepted in each culture.

Intercultural competences examined in this paper could be compared to mosaic made of different pieces, but altogether they make up a particular masterpiece, specifically connected with the development of business environment, related to Central and South-east Europe.

Key Words: Cultural Values, Intercultural Communications, Business Environment, Communicative Behaviour, Verbal Communication, Non-Verbal Communication, Intercultural Competences.

* * *

When we talk about Central and South-eastern Europe, it is necessary to locate this territory on the map of Europe first. This area spreads between five seas – The Arctic and The Baltic Sea in the north and The Adriatic, The Aegean, The Marmara and The Black Sea in the direction from the south to the east.

The central part of the landscape is defined by mountain ranges of the Alpes, the Rhodopes, the Carpates, the Tatras, the Dinarides and the Balkans, as well as the big rivers such as the Danube, the Rhine, the Sava, the Tisa, the Main, the Drava, the Oder, the Wisla, the Vltava, the Laba, the Marica and the Morava.

Diverse and geometrically rich, this area has attracted many people, making them settle down and stop wandering in search of a more adequate dwelling. Through time settlements have changed, grouped and extended, following the flow of priorities and interests of the dwellers. Circulating around this area - going away and coming back, the inhabitants have mixed and changed, which is noticeable mostly in verbal communication in the form of language. Through loanwords, languages have preserved a vivid memory of human dwellings of a place.

Today, the territory of Central and Southeaster Europe comprises of different cultures, such as German, Polish, Czech, Slovak, Austrian, Swiss, Hungarian, Romanian, Moldavian, Slovenian, Croatian, Montenegrin, Serbian, Macedonian and Greek, from the north to the south respectively.

A necessary fact, which is reflected in the international and European business, as well as the business environment with business tasks in different countries, is having the knowledge and the awareness about the influence of culture upon the values of doing business. Business processes and practices can vary depending on the cultural values which determine the attitudes towards business management.

Determining the relation between cultural values and doing business in a business environment has been emphasized in the anthropological, sociological, psychological and linguistic studies, as well as in management and marketing researches, accentuating the multidisciplinary of this field.

Traditionally, grasping the teachings of different cultures implies a vast and multiple research which entails studying and reading different types of literature on cultures in the mother tongue, but also in the language of the culture we are studying - and not only diverse scientific, ethnologic, geographic, psychological, historical, economic, sociological literature, but also artistic and especially literary pieces. Moreover, we shouldn't forget learning foreign languages, watching national films and films about these cultures, listening to music and remembering the authentic song lyrics, as well as being able to perform folk dances and games characteristic of the culture we are grasping. Finally, getting to know the customs and immersing in a particular lifestyle, doing sports and trying out local gastronomic specialities, which is maybe the most pleasant part of this extensive research, is what should be in the focus of the researcher.

These studies involve an extensive individual preparation, a considerable amount of time, passion and a huge interest in a specific culture. In the world of management and business, the category of time may have an expire date, which has conditioned the existence of scientific research and the development of functional and operational models of analysing different cultures. These models could serve as guidelines for business people in a contemporary business environment, bringing about understanding of different cultures and above all, making business communication in the field of management, business and marketing easier. The applied research is especially interesting for the scientists in the area of socio-anthropology and it is always synchronized with almost all of the management functions planning, hiring, managing and control.[1]

According to the universal, all-encompassing definition contained in many similar interpretations, culture is a system comprising of the acquired knowledge and beliefs of a certain group of people, who have an impact on the value system, creating attitudes, feelings and thoughts of that very group.[2]

Speaking more concisely, in the spirit of contemporary language, a Dutch cultural social-anthropologist in the field of management, Geert Hofstede defined culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another."[3]

Since the very beginning of his research in the mid 1980s, Hofstede has gathered around 100 000 employees from a multinational company IBM, from forty countries around the world. According to the continuous research which is still being conducted, the number of countries has been increasing permanently, thus encompassing the oldest and the greatest cultures of all time. Thus, Hofstede has identified a value system as the basis and the essence of every individual culture. A value system is solid, non-changeable and easily perceived, but at the same time it is the source and the starting point of a single culture. Due to its hidden, but non-changeable character, it demands a continuous, precisely formulated research on the culturally and age varied respondents, in order to assemble and master the characteristics of a culture's key values. According to Hofstede, the more evident forms of culture are rituals, symbols and heroes, present in every single culture. Cultural forms and values can live among different cultures and those variations can be identified and explained through cultural dimensions. In the 20th century, Hofstede identified five dimensions and in the 21st century he revised them and added the sixth.

He named them adequately, according to the values they represent:

1. *Collectivism vs. Individualism* Collectivism is present in cultures which value strong, integrated and tightly-knit bonds between people of the same culture, usually in a complete harmony. Individualism is present in cultures which value loosely-knit interpersonal relations.

[1] Prof. Dr Milija Zečević, Modern Management, European University, 2011, Belgrade.

[2] Prof. Dr Olgica Zečević Stanojević, Evropsko kulturno okruženje , Evropski Univerzitet, 2007, Beograd

[3] Geert Hofstede, Culture's Consequences, Sage, 2001.

2. *Masculinity vs. Femininity* Describes the dimension Femininity/ Masculinity. This dimension determine to which extent the dominant cultural values and relations among people (which strive for continuity and success in reaching business goals) value the quality of everyday life and a successful balance between the family and work, facts and emotions.
3. *Power distance* values the prevalence of unequal powers distribution and their acceptance in a particular culture.
4. *Avoiding insecurities* and uncertainties is an expression of tolerance and flexibility of cultures in ambiguous situations and an implication of a tendency for taking risks.
5. *Confucian work dynamism,* which is a long/short term orientation towards time and life, determines the relation of cultural values towards future results. Persistence and continuity in doing business, saving up and adjusting to the changeable circumstances, are all characteristic of a long-term orientation, while respect for tradition, national pride, big spending and achieving fast results, fixed norms, regardless of results, and rigidness of thinking are present in a shot-term orientation.
6. *Indulgence vs. Restraint* values the relation between a culture and the gratification of human needs. Cultures that value indulgence, give more freedom to fulfilling basic human needs, they merit enjoying life and having fun. On the other hand, cultures that are based on restraint have strictly regulated social norms which determine the fulfilment of needs and desires of its people.

The result of Hofstede's cultural dimensions is the fact that people have different, explicit models of a value system, which are in accordance with human diversity and different aspects of human behaviour. They are also stable paradigms of comparative cultures and inter-cultural variety. The application of Hofstede's research on cultural dimensions has been appreciated, cited and applied many times in various fields – from cross-cultural psychology, intercultural communication, international marketing, international negotiations and spheres of international business management.[4]

In the results of cultural dimensions research, cultures of Central and South-eastern Europe show both similarities and differences.[5]

In the Distance of power dimension, cultures of Central Europe have a lower power distance (aprox. 11 in Austria and 46 in Hungary), while the South-eastern European cultures have a tendency of a higher Distance of power (aprox. 50 in Italy and 90 in Romania). Central European cultures are also individualistic (aprox. 80 in Hungary and 55 in Austria), while the countries of Southeaster Europe are more inclined towards collectivism (aprox. 30).

Masculinity cultures are dominant in Central Europe (aprox. 80 in Hungary and 57 in The Czech Republic), while South-eastern cultures are predominantly feminine (aprox. 43 in Serbia and 18 in Slovenia).

Uncertainty avoidance is found throughout Central and Eastern Europe (aprox. 65 in Germany and 92 in Serbia). When it comes to temporal orientation, the whole region is inclined towards the long-term orientation (aprox. 50 in Greece and 80 in Germany).

Between Indulgence and Restraint, Central and South-eastern Europe value the "golden mean" (aprox. 20 in Romania and 60 in Italy).

These dimensions faithfully represent the similarity of cultural values of this region, which explains, to some extent, the mutual understanding between cultures themselves, but also facilitates intercultural communication and develops the understanding of intercultural competences of the members of these cultures.

[4] Geert Hofstede, Dimenzionalizing Cultures: The Hofstede Model in Confext, Online Readings In Psychology and Culture, 2011.

[5] www.Geert Hofstede, 2017.

Intercultural competences include intercultural communication, knowing the value system of different cultures (expressed and formulated by cultural dimensions) and skills of understanding and finding solutions in business and other types of cooperation with members of other cultures.

These competences involve a continuous work and progress in mastering these extensive, multidisciplinary skills.

Communication as an element of culture is understood differently in different cultures. In the cultures of the West (European, North American, South American and some Asian cultures), models of communication are interpreted as ideas transferred into symbols which can be expressed by verbal or nonverbal communication, i.e. by unspoken and unwritten symbols. Both verbal and nonverbal communications are part of a language system. That is why gestures are studied as a form of verbal symbols in a language and linguistics. Communication involves a wholesome process which includes a speaker, the process of speech, formulation (encoding) of the message, the content of the message, channels of message transmission, decoding, feedback and context.

In the spirit of Confucianism, civilizations of the East (mainly Asian cultures), regard communication as a continuous process of interpretation, in which the participants and interlocutors are in search of improved development of human relations.[6]

In this sense of different interpretations of intercultural communication, we should have in mind that the use of different symbols – verbal or nonverbal can be interpreted differently by the members of different cultures. On the territory of Central and South-east Europe, a typical example would be a head shake, which in Bulgaria means *yes* and in the rest of the cultures *no.* Conversely, head nod means yes for all the cultures, except for the Bulgarian, where this gesture means *no*.

In the first place, intercultural communication, demands the existence of a common language which can be understood by all the business associates. One's language can match the culture of the interlocutor, but it can also be different. Moreover, business associates must understand the ethos of the set rules; they must mutually accept the different value systems they come from and also they need to agree about the rules of doing business.

Each culture has its points of view and methods of doing business, which can be completely different in different cultures. Precisely those hidden differences make business cooperation hard. In order to interpret them, we need to know the verbal and often nonverbal signs of every communicative behaviour, characteristic for each nation. This has been precisely defined by a Russian linguist and multidisciplinary researcher I.A. Sternin as cooperation between cultures.

According to Sternin, communicative behaviour can be verbal, expressed by means of written and spoken word and nonverbal. Nonverbal communication includes signals, symptoms (doubt, joy, smile, curiosity...), symbols (social status, health) and signs (body language - mime, posture, tactfulness; spatial distance between the interlocutors; silence, gestures, approval, demonstrative, rhetoric signs...)

According to Sternin, communicative behaviour is an important component of national cultures, since it facilitates the process of getting to know and understanding specific linguocultural communities and mastering any foreign language. In his research, he pointed out the importance of the nonverbal component of distance in communicative behaviour. Some cultures of Central and South-eastern Europe have been included in the previous research. It is interesting that the distance increases or decreases depending on the mutual association of interlocutors. The mentioned categories in this research are acquaintance (stranger), as well as the situation they meet in (approaching, sitting, standing). A bigger distance is more present in cultures of Central than in cultures of South-eastern Europe.

The researchers of intercultural communication point out that communication, as a way of exchanging messages and meanings between the interlocutors, is mostly comprised of nonverbal messages (70%-90%), which are sent and received mainly on the subconscious level of perceiving and understanding. These messages are defined by situations and circumstances and their meaning is often unique, emotional and closely related to specific cultures.

[6] Fred E. Jandt, An Introduction to Intercultural Communication, Sage, 2013.

In his research, Edward Hall [7], an intercultural communications anthropologist, puts special emphasis on nonverbal signals, observing the cultures in mutual interaction, and groups them according to their reaction to time and space. In relation to time, Hall makes a distinction between *monochronic* cultures (people tend to do just one thing at a time) and *polychronic* cultures (people tend to do multiple things at the same time). In relation to space, Hall defines personal distance zone, which refers to the distance between the interlocutors in a certain culture, but he also defines space in relation to belonging and possessing, as well as signals which explain them.

Hall also emphasizes the necessity of being informed about other cultures, making a distinction between *high-context* and *low-context* cultures. High-context cultures are always informed and proficient in everything that is in scope of their interests, i.e. they understand the context well. Low-context cultures tend to always search for information, and for them nothing is implied. Low-context cultures are at the same time monochronic, they ask for bigger personal space and they clearly define their territory. High-context cultures are at the same time polychronic, they need smaller personal space, they are more tactful and they share their territory.

Cultures of Central Europe are monochronic and of a low-context, while the cultures of South-eastern Europe are mostly polychronic and of a high-context. However, if we look at the contexts lasting for hundreds of years, these dimensions between cultures have been similar and in the range of a golden mean**".**

Nonverbal and unspoken messages and signals which spring from human characterology, psychology and cultural mentality are of crucial importance for success in business.

Some nonverbal signs, such as a smile and a frown can be biologically determined and universally understood among cultures. Today, the types of nonverbal communication are as follows : use of personal space, gestures, moves, facial expressions and eye contacts, relation to time, vocal characteristics (volume and tone), sighs, silence, tactfulness, physical appearance, attitude, clothing symbols, defending the territory and possession of territory, spatial organization and the use of smells.

When the biunivok communication is of the same intensity it is optimal and sustainable. Maybe that is the secret of a successful cooperation in management and business between Central and South-eastern Europe, since the two are bonded by a similar cultural mentality and a familiar and recognizable rational behaviour.

Developing cultural competences entails a continuous personal work and acquiring experience, which can often be emotionally and physically burdensome; nevertheless, it brings excellent results in situations of intercultural interactions, which are in the end worth of the invested efforts.

Curiosity, knowledge and awareness are, together with skills of intercultural communication and the knowledge of different cultural behaviour, the key elements of the intercultural competences. The intercultural competences presented in this work can be compared to the interdisciplinary mosaic created from various pieces which together form a unique work of art, particularly connected to the development of the business environment of Central and South-eastern Europe.

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Prof. Dr. Dragan Nedeljković was born on February 19, 1962, in Belgrade. He completed his primary and secondary education in Belgrade, and graduated from the Faculty of Sciences - the Department for the Tourism studies, in Belgrade, in 1986. At the Faculty of International Management, Belgrade, Prof. Dr. Nedeljkovic successfully defended his master thesis entitled „The roles and functions of managers, with a special emphasis on the decision-making process" and was awarded the master degree in International Management, in 1997. In 1999 he successfully defended his doctoral thesis at the Faculty of International Management, entitled „The Process of Making and Implementing Decisions - a Comparative Approach" and was awarded the PhD degree in International Management. From 1986, Prof. Dr. Dragan Nedeljković worked at the Institute for International Management, as a researcher, and as a member of the team he participated in a number of scientific and professional projects. From 1993, Prof. Dr. Nedeljković was employed at the Faculty for International Management, as an assistant for the subject The Introduction to the International Management and Business. After receiving the doctoral degree in 1999, he was awarded the title of an assistant professor for the subjects: Management and Managerial Decision Making, and in 2001, the title of an associate professor at the European University - Faculty of European Business and Management. In 2006, he received the title of a full professor in the field of management and business, for the subjects: Management, Managerial Decision Making, International Business and Management, and European Business.

Prof. Dr. Dragan Nedeljković is the author and co-author of numerous scientific and professional papers published in domestic and foreign magazines and monographs, of numerous books, and has participated in a number of scientific symposiums at home and abroad.

The Influence of Japanese Business on the Development of European Business Environment

Univ. Prof. Dr. Dragan Nedeljković

Abstract

The European market is one of the most attractive markets for foreign investments. The presence of direct investments, as well as a large number of Japanese companies that co-exist with European companies, point to the interactions of different management philosophies on the European business scene. Respecting the differences between the Japanese and European management styles, a comparative analysis of the impact of Japanese management philosophy in the European business environment points to further prospects for business development in Europe.

The large increase in direct investment by the Japanese in Europe is a specific challenge for the European business environment, at the same time a “threat” and “opportunity”- a “threat” through direct competition and the presence of Japanese companies in the European market, and an “opportunity” through job creation where Japanese production units are located. However, in considering the impact of Japanese management philosophy, the key question relates to the behaviour of Japanese companies on the European business: do they perform their operations as “insiders” trying to adopt their operations to European business practices, or they hold a position inside “European fortress” with the goal of transferring their own unique business management model.

Key Words: Management, Model, Business, Investments, Business Operations, Decision-Making, Business Environment.

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The European market is one of the most appealing markets of the foreign investments. Presence of American and Japanese direct investments, as well as the large number of American and Japanese companies which coexist with the European ones, point out to the mutual influences of different management philosophies on the European business scene. Taking into consideration the differences between the American, Japanese and European management style, as well as the comparative analysis of the American and Japanese management philosophy influences in the European business environment, this paper will suggest further perspectives for the European management model development.

The research of T. Pascal and A. Athos, together with the research of Ohmae and Ouchi make up some of the most comprehensive studies, where the characteristics and influences of the Japanese management model, as the alternative to the dominant American model have been analyzed.[1] According to them, the most successful firms are characterized by the harmony between elements of the “7S” Model. The Americans are similar to the Japanese in the way they manage the components such as: the strategy, structure and systems. However, the Americans differ in managing the other components, such as the abilities, style, experts and subordinate goals. Their culture has influenced Japanese valuation of interdependence as a model of relations, contrary to the American model which values independence. In Japan, individuals are considered to be an obstacle for the development; individuals define their identity within a group they belong to. American society has been built on the fact that they assign importance to the individual. These authors cite T. Fujusawa (co-founder of Honda), who states that: “Management in Japan and management in the USA are similar up to 95% percent and totally different on the remaining 5%, the essential 5%"[2]

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[1] Ohmae K., *The Mind of The Strategist: The Art of Japanese Business,* McGraw-Hill Education, New York, 1991.
[2] Pascale R.T., Athos A.G., T*he Art of Japanese Management*, Warner Books, New York, 1981.

These differences have been commented upon extensively in further research. American management is based on strategic planning and rational tools in search for coherence, whereas the management of Japanese companies (such as Canon, Komatsu, Honda...) defines a long-term strategic "intent" and it focuses on careful strategy implementation. The American model is identified with the "professional management" which has perpetuated the notion that a manager with net percent value calculations in one hand and portfolio planning in the other, can manage any business anywhere in the world. Contrary to that, in Japan, the priority is given to the on-the-job training and in-company training programs.[3]

The individualistic orientation of Americans and the group orientation of Japanese has some managerial consequences: for instance, there is a great company loyalty in Japan (lifelong employment). Similarly, when it comes to values, strongly shared group connections enable decisions to follow a “bottom-up” process in Japan, compared to "top-down" processes in the US firms. [4]

Chandler has put these characteristics into a historic perspective.[5] In the US, a new corporate meritocracy emerged and a new class of professional managers developed. Chandler described this management culture as the " managerial capitalism". Delegating responsibility can ensue only if the top management retained access to information as a means of control. Thus, divisional zed structures and sophisticated management systems developed. The Japanese cultural heritage stimulated a form of management which Chandler called "group capitalism". Societal and cultural barriers made integration of the non-Japanese difficult. This has the effect of encouraging Japanese companies to retain the decision-making and control at the centre, where only those who understood the subtleties of the system could manage them.

James C. Abbeglen and George Stalk used a radically different perspective in studying the Japanese corporation and comparing it to the dominant American model. They advocate the fact that market strategy and the "manpower strategy", rather than management style, are what makes the Japanese management the pace-setter. Japanese companies have a growth bias: "Management with a bias towards growth has a different mind-set, which includes expectations of a continuous growth, decisions and plans, formulated to produce growth."[6]

Lester Thurow confirms this key difference in business logic: for the Americans, the ultimate goal is profit; while for the Japanese profit is a means to build an empire and strengthen their company. According to him, these two systems are fundamentally different: US society is oriented towards consumption and the welfare of owner and shareholders, whereas Japanese society is savings and investments oriented. Thurrow also points out the key differences between the roles governments play in these two systems. Apart from the induced effects of the US government’s defence politics, the American system is characterized by pure liberalism. The Japanese government has always participated in the development of the national industrial strategies, thus indirectly protecting some of the domestic industries, selecting priority sectors to develop in the long-term and funding research and development related to the these domains. Therefore, the American government initiated anti-trusts legislation, in order to enable the freedom of domestic market competition. Contrary to this, the Japanese government has never completely dismantled "Zabartsu", so conglomerates survived and developed in the form of "Keiretsu". Mitsui, Mitsubishi, Sumitorno, Fuji, Dal-Ichi and Hitachi together represent an organized economic structure. Share-swaps between the members of Keiratsu, guarantee a cheap and stable capital, both of which are necessary in order to work out long-term industrial strategies.[7]

When we take into consideration such contrasts between the two management systems, it is clear that Fujisava's five percent difference is crucial.

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[3] Hamel G., Prahalad C.K., *Strategic Intent*, Harvard Business Review, 1989, p. *63-76.*

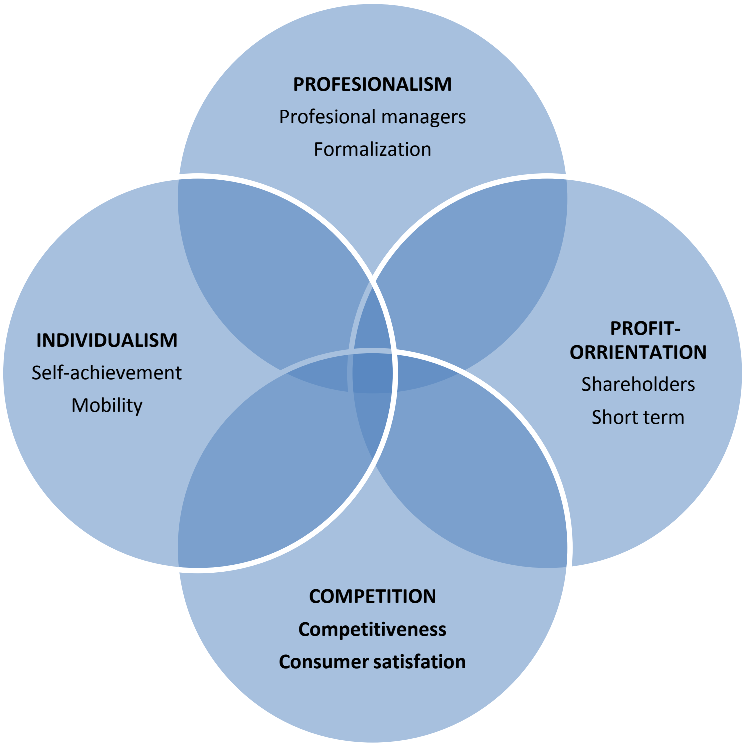
[4] Thurow L*., Head to Head*, Mit Press, Cambridge, 2013.

[5] Chandler A.D., "The Evolution of Modern Global Competition", Competition in Global Industries, Harvard Business School Press, 1986.

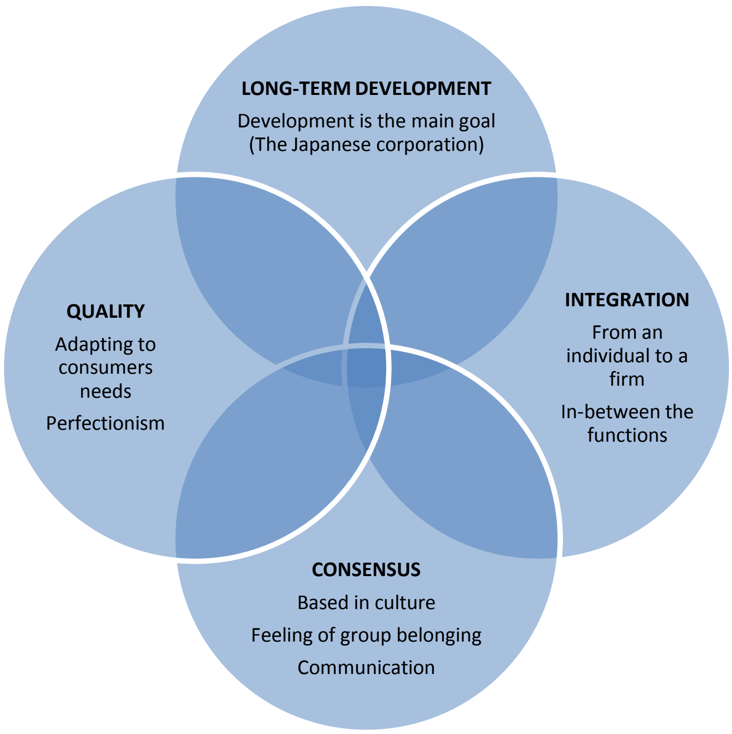
[6] Abbleglen James, Stalk George, *Kaisha, The Japanese Corporation*, Basic Books, New York, 2012.

[7] Thurow Lester, *Head to Head*, Mit Press, Cambridge, 2013.

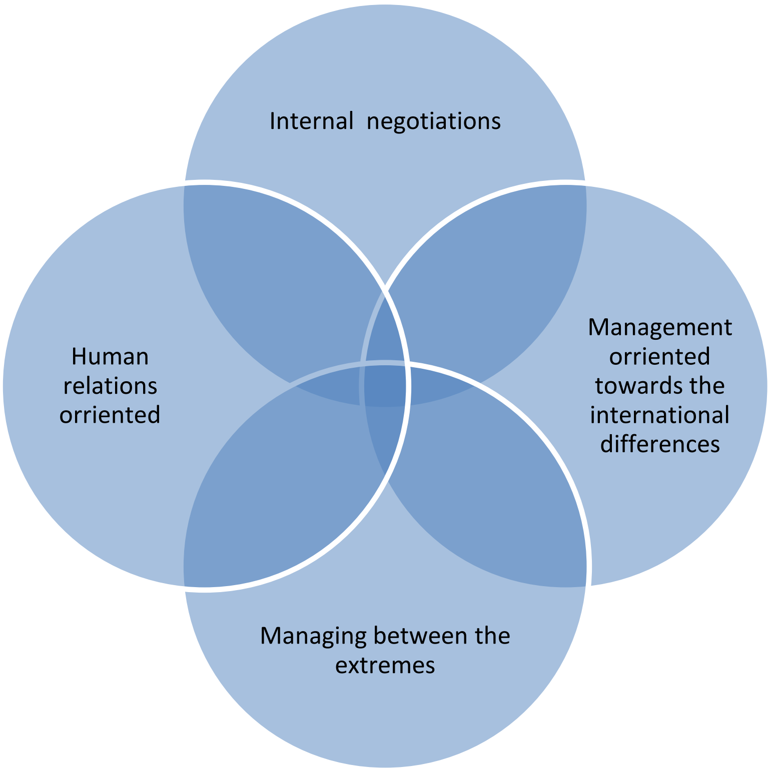
Pictures 1, 2 and 3 sums up the main characteristics of the American, Japanese and European management model, which will in the following pages of this paper, serve as the basis for the analysis of the American and Japanese management philosophy influence on the European management.



Picture 1. *Characteristics of the US system of management.*



Picture 2. *Characteristics of the Japanese system of management.*



Picture 3. *Characteristics of the European system of management.*

The research conducted in European companies has shown that European managers define the influence of the American management in more positive terms than the researchers did: this is clearly due to the fact that Europe still values some key characteristics of American society, such as entrepreneurship, the concept of individualism, profit orientation and competition. Competition is defined as the main characteristic of the American management, primarily because of its contrast with Europe, where the companies and markets are far more protected. Analyzing Japanese companies and their influence on the European market, these researchers have shown that "aiming for quality" is the fundamental feature of the Japanese model.[8]

The comparative analysis of US and Japanese model of management has led to a wider comparison between the two forms of capitalism: the Anglo-Saxon "individualistic form of capitalism" (represented by the USA and the UK) and the "communitarian form of capitalism" (represented by Germany and Japan), in terms used by George C. Lodge.[9]

In that sense Michael Albert makes a distinction between "Capitalism Anglo-Saxon" and "Capitalism Renan". This extended segmentation is based on the synthesis which is similar in comparison to the USA and Japan. According to these authors, Great Britain and the USA share a common paradigm: liberalism, profit orientation, domination of finance over industry, orientation towards the shareholders in the decision-making process, individualism and huge staff mobility. Germany and Japan have similar paradigms: an organized competitive power, a long-term orientation, big investments, a stable capital structure and loyalty to the company.[10] However, despite the similarities, some inconsistencies are evident. German companies definitely belong to the "occidental clan where the "self" dominates work relationships"; the German manager is a "specialist" whereas the Japanese manager is a "generalist". The German market economy and the relationships between top management and trade unions are

[8] Roland Calori, *Contrasting the US and the Japanese Systems of Management*, European Management Model, Prentice Hall, 2015.
[9] Lodge C. George, *Perestroika for America,* Harvard Business School, Boston, 1991.
[10] Albert Michael, *Cpitalisme Contre Capitalisme,* Seuil, Paris, 2000.

basically different from the Japanese model. Peter Lawrence has identified some of the key differences between the British and the US system of management: In Britain, management is intuitive: system, operating procedures, standards and strategic planning are far less developed than in the USA. British management is pragmatic and discretionary, while American management is more realistic. In the US, conflicts are considered normal and desirable, whereas the British view them as disruptive and as a sign of failure.[11]

However, these assumptions indicate indirectly that, within Europe, there are characteristics which make the European management model specific compared to the American or Japanese, but at the same time point out mutual integrations and impacts of these three models.

Transfer of Japanese business politics to European business environment

A huge increase of Japanese direct investments in Europe is a specific challenge for the European business environment – at the same time, it is a "threat" and an "opportunity" – a threat through direct competition and presence of Japanese companies on the European market and an "opportunity" through opening of new vacancies where Japanese production units are located.[12] However, in discussing the influence of the Japanese management philosophy, a crucial question arises - how do Japanese companies act on the European market? Do they manage their business operations as insiders, trying to adapt their management to European business practice or have they attained their positions inside the "fortress Europe", aiming to transfer their own management model?

In discussing this question, the case of automotive industry can serve as a great example. Automotive industry has an influence on other economy sectors, as well as on the employment policy: it has created four million jobs and 7% of the European Community gross domestic product (GDP). Thus, the presence of Japanese companies in this industry in Europe is the main economic, social, political and business challenge. American car producers in Europe, such as *Ford of Europe* and *GM Europe* (Vauxhall and Opel) are such insiders that they have become the ACEA (European Automobile Manufacturers' Association) members. The membership in ACEA has enabled the American producers to exert influence in order to limit Japanese cars sales in the European Community. In the mid 1990s under the French and Italian pressures, a treaty on banning the import of cars from Japan into European Community and monitoring the development of Japanese transplants in the European automotive industry was signed, in order to make sure that their production did not exceed the limit of 1.2 million of vehicles by the end of 1999. The policy of Great Britain, which opposed this by staying open for Japanese companies and French-Italian relations, caused tensions in the European Community.[13]

The majority of Japanese companies' business operations (as opposed to US) in Europe, are of a recent date and their adaptation to the local way of doing business has still not been completely achieved. This is mainly caused by the problem of transferring Japanese management methods and techniques to Europe. On one hand, in the production domain (organization and quality), the transfer of Japanese business practice to Europe has been successfully completed. On the other hand, in domains of decision-making and management of communications and staff, social differences increase the complexity of Japanese companies' operations. Here, we can single out some of the limiting factors.

Firstly, key managerial positions in the branch offices of Japanese companies in Europe are mainly occupied by the Japanese, who have still not completely adopted European cultural and social customs. Japanese companies do not recruit top, higher and middle-level managers from the country the branch

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[11] Lawrence Peter, T*hrough a Glass Darkly: Towards a Characterization of British Management*, Professions and Management in Britain, University of Stirling, Scotland, 2013.

[12] In the early 1990s, Japanese investments have amounted around $ 27000 milion . Compared to US investments in Europe, which were at the same time approximately $35000 million, USD shows the significance of Japanese investments in Europe. Source : *Japanese External Trade Organization, White Paper on Foreign Direct Investment,* Jetro, Tokyo, 2016.

[13] Japanese External Trade Organzation, White Paper on Foreign Direct Investment, Jetro, Tokyo, 2016.

office is being opened in, due to a possibility of losing control in the process of making and implementing decisions and complicating communication between the branch and the head–office.

Secondly, the existence of a cultural gap between Japan and Europe affects running of business operations. Due to a long period of isolation, the Japanese have established original principles of decision-making and decision-implementing, which can be described in the following way: collective spirit, introversion, consensus, precision, group responsibility. These characteristics are in contrast to almost every characteristic of decision-making in the European management model: individualism, extroversion, approximation, acceptance of different options, control directed to the individual (picture 5.15). [14]

Japanese model	European model
Collective spirit	Individualism
Introversion	Extroversion
Consensus	Accepting different options
Precision	Approximation
Group responsibility	Control directed towards the individual

***Picture 5.15.** The decision-making in Japanese and European management model.*

In running business in Europe, Japanese companies have implemented only a part of their managerial practice (in production domain), but at the same their management has been forced to adapt to local European managerial practices (especially in the field of directing and managing staff).

The majority of typically Japanese business policies and techniques are successfully transferred and applied to European branches of the Japanese headquarters.. They entail a long-term goals perspective, a demand for top-notch quality, production priority and horizontal integration.[15]

For the Japanese top level managers, short-term profitable goals are never priorities, as it is the case with the managers of American companies. The managers of Japanese companies make decisions guided by the goal of a “long-term strategic intent“. Japanese companies start their operations in Europe mostly with small investments. Only in the second phase, after getting to know the market better and establishing a stable relationship networks with suppliers and clients, do they expand the investment network. The dominant goal of Japanese company’s management is a continuous growth and the increase of the market share.

The second characteristic of Japanese management is the fact that when it comes to transfer of business policy onto the European market, priority is given to production and its sectors. Japanese managers possess technical knowledge, skills and experience in production. With the exception of German management system in European companies production is far lest ”prestigious” compared to the fields of marketing, research, development or finance. That is why technicians, together with the production workers and employees in Japanese companies' European branches, fully accept the dedication that is ascribed to their functions, while Japanese skills in this field are easily transmitted and adopted.

Japanese strategies of doing business give priority to consumers in terms of production and service quality. That being said, Japanese companies in Europe implement this type of strategy, not facing a

[14] Sachwald F., Les Enterprises Japonaises en Europe, motivations et strategies, Travaux et Eecherces de L'IFRI, Masson, Paris, 2010.

[15] Yoshihara H., Hayashi K., Yasumuro K., NIHON KIGY No GLOBAL KEIEI, (Global Management in Japanese Companies), Toyo Keizai Shinposhya, Tokyo, 2015.

great resistance: consumers approve the excellent service (up to a point when the price difference gets too big) and the employees are stimulated to excel in running business (as long as their training is being carried out). Thus, for instance in the automotive industry, Japanese companies were the first to offer their customers a three year warranty for free repairs.

Japanese business strategies are based on the product quality, which is the main goal when it comes to domestic and international markets. In European business environments, where consumers think the quality is of crucial importance, management of Japanese companies' European branches has successfully implemented transfer of Japanese quality strategies.

Decision-making in Japanese and European companies – a comparative approach

European management model is characterized by the ”bottom-up” decision-making and communication process. In contrast to European companies where the top-level managers are in charge of decision-making, in Japanese companies the centre of decision-making are middle-level managers (”Kacho” - section chief). In the Japanese management model, mid-level managers initiate and develop projects. The first phase of the decision-making implies an intense communication between the mid-level managers, section chiefs and subordinate levels of the company′s management. In this phase, the goal is to discuss and test the ideas. This phase is called Nemawashi – the procedure of reaching consensus. In the second phase, mid-level managers consult and submit report to the higher management levels. This phase is termed – *Ringisho*. Information circulates among the managers involved in the given project, with the aim of obtaining their approval. After the top-level managers have given their approval, Ringisho is returned to the mid-level manager who initiated the project and the decision implementation can begin.

In European companies, processes similar to Nemawashi can occur (system of co-determination in German management system or decision-making in Scandinavian countries). However, in European companies, the flow of information is limited, less people are involved in the decision-making process (for instance lower-level managers) and furthermore the opinions of higher and top-level managers have the final say in the decision-making.

The process of decision-making in the Japanese management model demands a longer period of time, however that way, the possibility of error is prevented and the very process is made easier.

One of the common challenges that Japanese managers encounter in Europe is vertical organization structure. In European companies every department is considered relatively autonomous and dependent only on its managers' decisions. Communication between departments is poor and no employee can intervene outside of their department without the department manager' consent.

Communication between departments in Japanese companies is far more direct. The flow of information is free (inside the department and among departments in a company). Information in Japan is a shared tool, while information in Europe is a tool owned by company’s departments.

Cultural differences between the Japanese and the European management models have influenced Japanese management to limit or slow down the transfer of its domestic management practice in its European branches. Picture 5.16 shows some of the results of a study conducted by JETRO, which point out and confirm certain dilemmas that Japanese managers have.[16] It is apparent that the highest transfer index has been achieved in the field of in-company training and the lowest in a distinctive Japanese policy of slow managerial career advancement.

[16] Japanese External Trade Organization, White Paper on Foreign Direct Investment, Jetro, Tokyo, 2016.

Characteristics	Japanese branches in Europe where Japanese management practices has been implemented (in %)
"Just in time"	10,9
Life-long employment	14,9
In-company training	69,9
Slow career advancement	4, 6
Daily meetings	36,2
Work uniforms	56,2

Picture 5.16. *The transfer of Japanese management practices in European branches of Japanese companies.*

Among the Japanese multinational companies which conduct their business operations in Europe, Sony is one of the few Japanese companies that have an organizational structure, in which "global integration" and "local responsibility" have been reasonably implemented. The headquarters of *Sony Europe* Company is located in Germany, TVs are produced in the UK branch, while video recorders and hi-fi systems are produced in the French branch. If we analyze the organizational structure of *Sony France*, it shows that a Frenchman was appointed CEO of the branch (it is an unusual practice for the Japanese companies to appoint local staff on its branches' top-levels). Furthermore, managers of three production units were also French. Only 12**%** of 2000 employees were the Japanese (mostly technicians and one executive director). Responsibility for making and implementing decisions was delegated to local managers (France). In Japan, *Sony's*' main office retained the right of decision-making in the field of setting goals and determining the strategy.

Sony's management has applied this model in practice and it integrated positive aspects of Japanese and European corporative cultures (Japanese decision-making style and French egalitarian style of human relations) with goal of avoiding different interpretations of decisions that were made (regardless of who makes the decision – Japanese main office or French branch office). That way, some of the Japanese companies such as *Sony*, have started changing their approach – from the former "outsiders" to current "insiders" in the European business environment.

A large number of researchers, among whom are Barlett and Ghoshal define the organization of Japanese companies as a "centralized node". In their research, Barlett and Ghoshal have compared a large number of European and Japanese companies: *Kao* with *Univer* (cosmetic industry), *NEC* with *Ericson* (telecommunications) or *Matsushita* whit *Philips NV* (electronics). These examples indicate that a specific manner of decision-making and exerting control, characteristic of Japanese companies, is a result of culturally dependent managerial system based on group-oriented behaviour.

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Prof. Dr. Katarina Simićević was born on May 21, 1981 in Belgrade. She graduated from Elementary school ‘Svetozar Miletić’ in Zemun, in 1996 as an all-A marks pupil. She graduated from the Ninth Belgrade High School in 2000 as an excellent pupil. She graduated from the European University of Belgrade – Faculty of International Management in 2004 with GPA 10, with graduation thesis theme: ‘International accounting standards as a function of international management and business’, mark 10. She graduated from the Faculty of Philology, University of Belgrade – group English language and literature, 2004, with mark 8,96 as an overall success. After becoming a Graduate Manager of International Business in 2004 she enrolled at Master studies at the European University of Belgrade and defended her Master thesis: 'The use of managerial accounting methods as a function of efficient multinational company management', in 2006. She defended her PhD thesis: 'Planning and control system technology as a function of multinational company management development', at the European University of Belgrade, in 2008. She works at the Faculty of European Business and Marketing. She received the title of associate professor in 2013, for the courses of Business prognostics, Business planning and Management business projects. She stayed in London at St. Giles College London Highgate, in 2003, during her studies. She finished a course for Microsoft Office Specialist (Outlook, Word Expert, Excel Expert, Access, Power Point). She speaks English and German.

Motivation and Efficiency in the Project Team Work

Univ. Prof. Dr. Katarina Simićević

Abstract

Different theories of leadership have emerged and evolved in the last few decades, with the majority of them analyzing how effective leaders behave. Some of the theories, like the behavioural one forgoes inborn characteristics in favour of examining the concrete actions of leaders. Leaders establish and constantly impact organizational culture, inspiring workers to enhance their efficiency, while achieving not only organizational goals, but also personal ones. Organizational efficiency can be described as the capability to implement business strategies by using existing resources.

To enhance innovation, managers should eliminate obstacles in the workplace, highlight the importance of the innovation, cherish tolerance for mistakes, and stimulate the idea exchange. Both leaders and managers need to focus on the quality of communication which should always be two-way. In addition, the significance of organizational support has to be accentuated. If the workers recognise the organizational goals as their own, they will be encouraged to be innovative and creative.

Key Words: Leadership, Motivation, Efficiency, Innovation, Communication.

* * *

The last few decades have seen the development of various leadership theories. Some of them study the way effective leaders behave. Behavioural leadership theories do not concern themselves with inborn leadership traits and abilities; instead they focus on leaders' concrete actions. They observe and classify behavioural patterns and define a charismatic leader as a person who leads by example thus inspiring employees' productivity and continuous improvement. (http://www.leadership-central.com/behavioral-theories. html).

Douglas McGregor formulated Theory X and Theory Y and defined two different management styles based on each of these (https://www.mindtools.com/pages/article/newLDR_74.htm). He argued that a leader's strategy is determined by the opposed theories about human nature which he had defined. According to Theory X, an average human does not like to work and is keen to avoid responsibility. People are primarily motivated by the need for security and need to be guided and controlled. This view of human nature calls for an authoritarian leader. Theory Y sees people in a completely different light – as responsible, eager to learn and with a tendency to self-control. They need a democratic leader who will inspire and constructively guide them towards further development.

A huge step in the development of leadership theories was separating people management and task management and treating them as two different dimensions. In the 1960s Robert Blake and Jane Mouton graphically presented leadership styles on the so-called managerial grid (http://searchcio.techtarget. com/definition/managerial-grid-model-The-Blake-and-Mouton-Managerial-Grid-model). It explains the way managers manage productivity and employees in order to achieve company's strategic goals. People management refers to the way human resources department operates within a company. These two phenomena are presented on the grid, and their intersection represents relative orientation towards the employees or towards the tasks. The managerial grid defines the following leadership styles: team management, authoritarian management, impoverished management, human and middle-of-the-road management.

Each leadership style has its merits and its flaws and is applicable in various organizations, depending on their structure. As the theory evolved, two new leadership styles were identified: paternalism/maternalism and opportunism. Paternalism/maternalism refers to a leader who acts graciously, but only to accomplish certain goals. Such leaders favour reward - punishment approach in case of disobedience (Clark, 2017). Opportunism describes a leader who uses any of the above mentioned styles or a combination thereof for personal advancement.

Each management style makes a different impact on an organization. Managers have a vision in which direction a company should develop in the future and are trying to assess the chances for development and to efficiently seize them. Leaders develop organizational culture and inspire the employees to dedicate themselves to work and enhance work efficiency, in order to achieve both organizational and personal goals. Organizational efficiency can be defined as a company's ability to carry out a formulated strategy by means of available resources. It is greatly influenced by the way an organization is managed – the way managers delegate responsibility, monitor results and allocate resources. A prerequisite for a high degree of organizational efficiency is a manager's ability to share a company's mission and vision with the employees and to actively include them in achieving a wide range of goals.

To accomplish that, a manager needs to boost employees' motivation and how to do this is the focus of diverse management theories. Employees' ability to produce certain results can be increased by professional development and various trainings. An organization can provide optimum working conditions for its employees, but that will not increase their productivity unless they are motivated to achieve certain results.

Motivated employees are in a state of tension. The bigger the tension, the bigger an individual's readiness to act. One could say that diligent employees are in a state of constant tension which brought about from their desire to reach goals.

Motivation theories can be divided into two categories – content motivation theories and process motivation theories (Chandramohan, 2008). Content theories explore the factors that affect motivation. They seek to provide an answer to the following question: what is it that makes a man behave in a certain way. They focus on the intrinsic factors controlling human behaviour. Generally speaking, they define motivation as a product of a desire that both stimulates activities and directs an individual towards meeting his or her intrinsic needs. These theories are highly valued in business practice and include Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's two-factor model and McClelland's human motivation theory. Process theories include: goal setting theory, expectancy theory, equity theory and integrative motivation theory.

Due to organizational complexities, cultural differences, gender structures and other factors which affect an organization's diversity, it is not possible to apply only one motivation theory. For that reason, integrative motivation model was developed, in order to bring together the above mentioned theories, the most important of which is the expectancy theory. This theory was defined by Robbins and Stoner and it supports situational motivation model which explains why an individual invests different levels of effort in different situations to achieve a goal (Blaskova and Grazulis, 2009). The theory, also known as 'what-if', emphasizes that an employee will make a huge effort to achieve something if he has previously concluded that the effort will pay off. Robbins expanded this theory and claimed that an employee would do his best if there were clear relations between effort and outcome, outcome and recognition, and recognition and personal goals. An organization should establish a fair employee rewards system, because the degree of motivation depends on to which degree personal goals can be achieved within the organizational rewards system.

Top management influences employees' motivation by recognizing their efforts. It is of vital importance when it comes to keeping employees with the company. However, recognition is sometimes overlooked as a solution to workforce fluctuation. Employers tend to focus on the salary as the main incentive for work. The problem is that the salary is a short-term motivator. Employees need to feel appreciated, they need to feel that their contribution to the organization's development is not overlooked and unrewarded. They want their superiors and their colleagues to notice their work. Companies usually have limited budget for rewards, and informal rewards that do not cost much can significantly increase motivation.

Human relations theory posits that when an employee is offered autonomy and a chance to demonstrate creativity, together with a certain degree of responsibility for the job that leads to an improvement in relations. Human resources management maintains that an appropriate individual ought to be chosen for any given job, as it is a must for productive work. In accordance with this idea, managers should choose candidates that will fit in the organizational culture. That way the quality of human relations at work improves which also leads to increased motivation.

Giving employees autonomy increases innovation and creativity. It is very important to define clear goals for the employees to meet, but the key is to let them choose the road to success on their own. Two main resources that affect creativity are time and money. Appropriate resources will encourage employees to apply creative thinking when efficiently solving tasks. Team work synergy is also important for increasing creativity. For that reason, teams should be carefully put together. Team members need to support each other, with different intellectual approaches to tasks and constructive conflicts. Managers can stimulate creativity with appropriate employee rewards system. They also should act as role models for their employees, both in times of progress and in crisis.

To increase motivation managers need to remove obstacles at the work place, highlight the importance of innovation, show tolerance for mistakes and constantly encourage exchange of ideas. They ought to focus on the qualities of formal and informal communication. One should not underestimate the importance of organizational support. If employees feel company goals as their own, they will feel inspired to achieve them.

The other way to promote creativity and innovation is a constant process of learning and development. These processes take place through acquisition of knowledge, exchange of information and opinion. This way the company facilitates the process of adaptation to extremely dynamic business conditions in the contemporary market. Organizational learning includes acquiring experience through both success and failure in the course of business history. Organizational learning makes it possible for the managers to make efficient and effective decisions. Once the mistakes from the past are observed and analyzed, the chances of them happening again are small. Learning includes acquisition of knowledge that makes it possible for the managers to optimally seize the chances on the market and to manage changes successfully.

Change management within an organization requires a wide range of skills such as analytical, political, system skills, business skills and above all human relations management skills.

(https://www.prosci.com/change-management/thought-leadership-library/change-management-definition).

A change can present both a chance and a threat, depending on how the company responds to it. A company needs to adapt to the changes in the environment in such a way that it keeps its profitability and continues to grow. Environmental changes lead to changes within the organization and they include relocation, restructuring and decrease or increase of the number of employees. To keep the organization competitive in the market, managers need to understand and explain to employees why the changes are necessary. Employees' initial reaction to change is fear – from being fired or from too difficult new tasks. It is of vital importance that the employees should see that change is a way to develop and move forward and not some insurmountable obstacle. Two-way communication is useful in such situations because it makes employees gradually understand the benefits of change.

There are several decision making models in management and announcing decisions in a two-way process is very important for those to be accepted within an organization. Intuitive decision-making involves making a decision on the basis of previous experiences, relying on the so-called sixth sense. Intuition is very important because it increases adaptability and creativity, especially in situations when managers need to solve complex problems, as well as in uncertain and risky situations. Within rational decision making managers have all the necessary information to make a decision by making a choice between possible alternatives. Rational approach can be adopted on the lower management levels where both the choices and the consequences are familiar. There is also scientific decision making which is a type of rational decision making improved by certain scientific methods. Behavioural decision making model, for example, states that people make decisions on the basis of their own perception, which is subjective, and that they practice system thinking through decision making process. System thinking includes problem analysis in phases, in an analytical manner.

Team work efficiency is important for the efficiency of the whole organization. According to Belbin there are twelve team roles with clearly defined differences (http://www.belbin.com/). For a team to be successful all these roles need to be balanced. A team goes through various stages in its development, but the key is that conflict, which is inevitable, should be efficiently solved.

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Models of the Strategic Core Competence of the Human Resources Management of European City Self–Governments

Dr. Jelena Dobrić Tadić

Abstract

For conditions of business in the 21st century, the definition is that they are turbulent. It is precisely this turbulence that influences the management of European city governments, that their business approaches, which are consistently on the line of social well-being – strategically conceived. Turbulence is visible both in the external and the internal European business, or in the overall social environment. hence we emphasize the importance of human resources management of the said self-governments, as a segment that can create the right answers to the outcomes of the given turbulence.

The main goal of the human resources management of European city self-governments should be: identification of the *strategic core* and, consequently, the formation of a team of professional people to locate each component of their competences in a *zone of excellence*. Only in this way can human resources management of European city governments become a lever of development (in co–operation with that self–government management), can promote its human resources strategy to ensure a successful implementation of the organizational strategy. It is precisely the organizational strategy that can provide a new and more successful working approach whose primary goal is the perception of the satisfaction of stakeholders (employees, business partners, others).

The complexity of the content of relevant business or social objectives of European city governments requires the achievement of a synergy between all sectors of the labour force both at operational and at strategic level. Human resource models supported by scientific postulates can be a way to find not only the weak and strong points of European city governments, but also the opportunities and hazards that *create* the conditions of a social environment, that is, market conditions (bound, for example, for infrastructure projects).

Key Words: Models of the Strategic Core Competence, Human Resources Management, European City Self–Governments

* * *

Introduction

Sustainable development of European city self–governments has now become the opportunity to anticipate the future, to anticipate the benefits, or to safely meet the needs of future generations that will reside in the area of self–government and develop their own lifestyles in it. For this reason, European urban self–governments are dedicated to finding a balance between economic goals, on the one hand, and environmental, social and institutional goals on the other.

The human resources of each city, both in the European Union and in other parts of Europe, must give their full contribution to the design of a sustainability line for each activity within their jurisdiction. The role of human resources in European urban self–governments is relevant because city governments are expected to adapt to the deluded standards of life and work. Human resources are a key factor in meeting these standards. The human resources management of city governments must have the power to build human resources that can respond to all challenges as supporting reference points of the stated standards. He optimal way in this context is to create a model of the strategic core of a competent human resource. The models contain, as a rule, components of effectiveness, which are critical, but also those components that prefer efficiency, which are important.

In this article we will consider the procedure of designing and applying: a) the model of the strategic core of the competence of human resources management created using high–quality overall quality management; b) the model of the strategic core of the competence of human resources management created using the high–performance knowledge management; and b) the model of the strategic core of the competence of human resources management created using the high–performance organizational development performance.

1. A strategic approach to the development process of the management of the teams of European city self–governments

European urban self–governments have been defined, to the extent of civilization needs, for the strategic discourse of developing their business. Strategic commitments for adopting a policy of development and development of the application of its content determinations are focused on strengthening the capacities of city self-governments through the development programs of top management (that is, human resources management), engagement of the local community and the provision of services.

The strategic choices of the top management of each individual European city government, which cover the development business sphere, are expressed in the set goals in the context of vision and strategy and set goals in the context of communication. The set objectives of the vision and strategy relate to: "successful and efficient implementation of strategic documents – development strategies; provision of quality services to local residents and companies that operate in the area of municipal self–government, in accordance with the results of the monitoring and evaluation process; and building motivated and dedicated human resources"[1] who successfully realize the activities listed in the defined framework of the development strategy. The set objectives of communication relate to: "adequately informing the local population and companies operating in the area of municipal self–government, about the services provided by the self–government", in relation to the development flows; and "improving the quality of city self–government through clearly defined channels of communication".[2]

The strategic commitments of the human resources management are taken separately by the European city self-governments, each taken separately by the European city self–governments, reflected on the set goals in the context of human resources. The objectives set out cover the strategic aspects: "(1) job analysis as a process of collecting relevant information about jobs and defining the knowledge, skills and capacities necessary to perform a specific job that is directly related to the development cycle; (2) the planning of supply and demand for human resources, as a process that anticipates human resource requirements based on anticipated changes in the internal and external environment; (3) recruitment of applicants as a process of recruiting sufficient number of qualified candidates in order to enable city self–government to choose those that are optimally suited to job requirements; (4) the choice of applicants, as a selection process applied for a particular post and decision–making for their employment or rejection; (5) employee training, as a process of changing their knowledge, abilities, skills, attitudes and / or behaviours with the aim of improving their performance; (6) the development of employees as a process of creating learning opportunities to help them in their own personal development and to prepare for the future requirements of the work they do or for developing their own business careers; (7) assessment of the results of the work of employees, as a process of assessing their individual contribution to achieving the goals of city self–government in the sphere of development; (8) rewarding employees, as a system of direct and indirect rewards for the achieved work results; (9) the relationship between employers and employees through collective bargaining and compliance with legal regulations regulating work and labor relations; (10) improving health and safety at work of employees; and (11) employee fluctuation management, through the process of planning and implementation of various human resource reduction

[1] Source: Local Government Capacity Building Manual, European Union European Agency for Reconstruction & Standing Conference of Towns and Municipalities & Council of Europe, Belgrade, 2008, page: 18; customized.

[2] Ibidem, p. 20.

programs such as employee dismissal, voluntary abandonment of the service, retirement; etc."[3] Strategic commitments of human resources management to meet the demand posed by the development sphere of the city self–government, form their reality by positioning the vision and forming a human resources strategy that implies a clearly expressed aspiration of the city self–government, obvious and / or hidden in relation to the work and performance of employees, expressed through philosophy, business policy and business practice.

A strategic approach to the development process of top management (that is, human resources management) should form and implement a backbone to the scientific postulates in this constellation. The contribution of scientific postulates is reflected in (a) the need to look at the existing development position of the city self–government, that is, to identify and scientifically determine the internal factors of the stated position – strong points (strengths) and weak points (shortcomings); that is, (b) in the need to perceive the future development position, that is, to identify and scientifically determine the external factors of the stated position – opportunities and hazards. The analysis of strong and weak points implies an analysis of resources and competences in structural development activities. An analysis of the possibilities (ie, the beneficial effects of the external environment) indicates the chances to be used, and the hazard analysis (ie, the adverse environmental impacts of the external environment) to the threats to be avoided. The aforementioned analysis in the literature is referred to as SWOT analysis (**s**trengths; **w**eaknesses; **o**pportunities, **t**hreats). "The analysis has three purposes: (1) to serve as a situational analysis tool; (2) to serve as a tool for formulating the strategy; and (3) to serve as a tool for implementing the strategy."[4]

SWOT analysis, therefore, is based on an analysis of internal and external factors and can indicate: "exploring the possibilities of new initiatives; deciding on the implementation of the strategies of the new development policy of the city self–government; identifying potential areas that need to be changed; processing and reorienting plans"[5] in the development sphere of self–government. The Human Resource Management of the City Government can, with the help of Swot analysis, recognize the capacities of self–government and vertical and horizontal coordination of activities realized by existing human resources and, consequently, together with top management, devise a strategic plan for each of the projects that are related to, sphere.

An example of the SWOT analysis, presented in Scheme **1**, is the contribution to the elementary support for the development of a strategic project of each individual European self–government. The models of the strategic core of the competence of human resources, which we will describe in the next flowchart, as the platform for their thoughtful formation, use exactly the knowledge that the SWOT analysis produces.

[3] Source: *Human Resources Management Manual*, European Union & Council of Europe, Belgrade, 2012, pages: 9–10; customized.

[4] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, *Management and Strategy*, University of Belgrade – Faculty of Economics – Center for Publishing, Belgrade, 2016, page: 358; customized.

[5] Source: http://www.iserbia.rs/news/swot– analysis–examples–templates–and–definitions–3402/; customized.

Scheme ***1*** – Swot analysis of *European city self–government* in the context of the development of a project related to the *development sphere of business*

STRENGHTS	WEAKNESSES
1. Political support 2. Availability of funding source 3. Existence of preconditions for realization of the concept of development 4. High quality management of city self–government 5. High quality human resources management of the city self–government	1. The project of realization of the concept of development in the territory of the city self–government is very complex 2. The project causes high costs 3. The project conditions ecological awareness and high level of ecological education 4. The project implies an absolute public collaboration 5. Insufficient research into the capacity and needs of the city government for the implementation of all individual regulations in the area of key development activities
OPPORTUNITIES	**THREATS**
1. The project could improve the economy of the city government 2. The project could lead to raising the living standard of the city self–government 3. Visible determination of the success of the project could lead to the redefinition of the existing system of financing in order to make it more direct in the function of systemic strengthening of the capacity of the city self–government 4. The project could provide security 5. The project would increase the reputation of municipal self–government	1. Resistance to change 2. Time aspects 3. Unrecognized ecological and other limitations 4. Lack of modern technology
	SOURCE: http://www.iserbia.rs/news/swot–analysis–examples–templates–and–definitions–3402/; pages: 2–5; customized.

2. **The model of the strategic core of human resources management created using high-quality overall quality management**

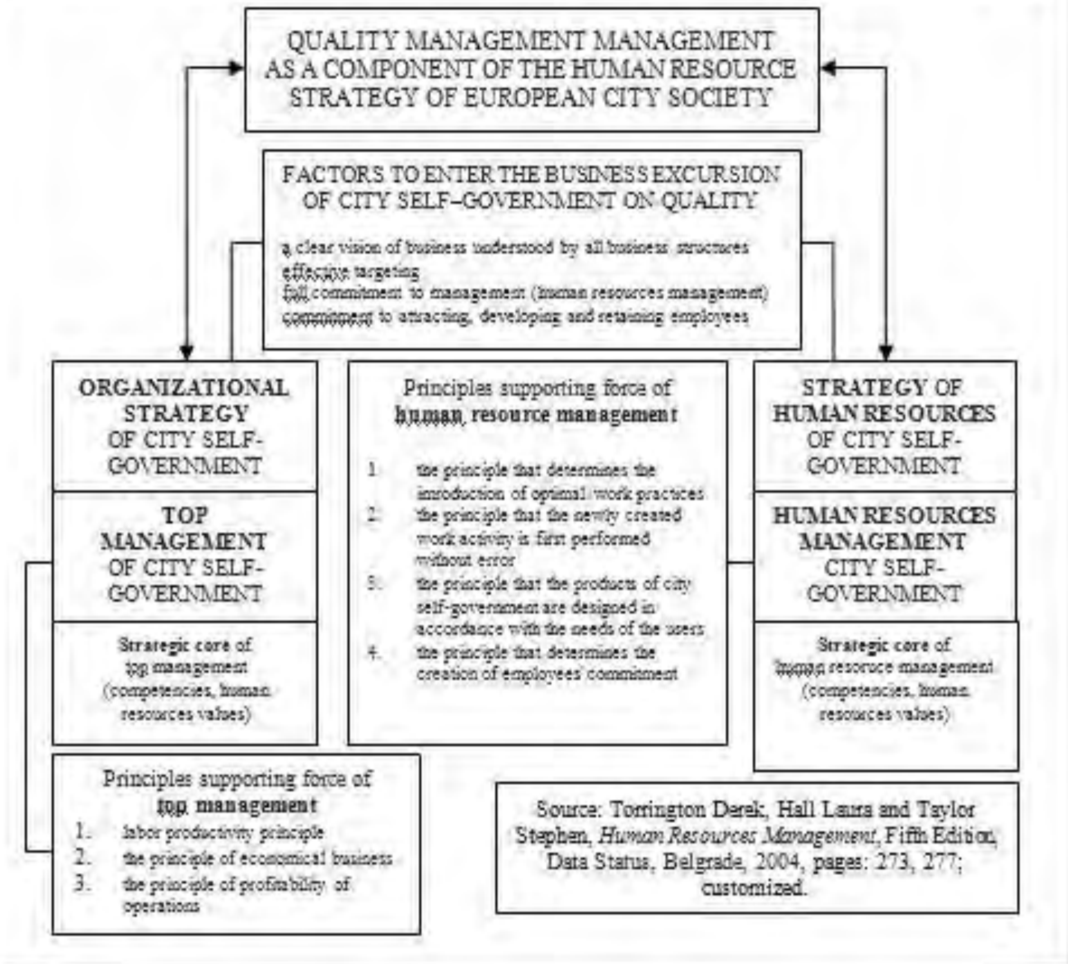
Each strategic human resource management option must position the quality of strategic performance. All human capital components (competencies, capabilities, values) combined with the creation of compliance of process activities and the creation of human resources readiness – are the unique support for the application of the set strategic options in terms of achieving quality as a factor of competitiveness. Quality must occupy every sector of the work of each individual European city self–government. It is this remedy that requires human resources management to continually develop, maintain and retain professional employees, oriented to quality business, and their own and their immediate business environment. Only high–quality work and quality work results can contribute to greater business and living standards: business – through the satisfaction and loyalty of municipal employees and long–term business development; life – through the improvement of living conditions and existential needs, environmental protection, health care and the achievement of a high level of security (safety). bearing in mind that quality defines the strategic core of the competence of human resources management, that is, the success and vitality of all other sectors of work, it is necessary to build such a management system that will correspond to the character of the business of city self–government. n other words, human resources management must focus on the quality assurance initiative from the standpoint of the organizational perspective (expressed, for example, through: business standards), individual perspectives (expressed, for example, through: performance management, performance gains, individual development) , team perspectives (expressed, for example, through: teams for achieving high performance results), and innovative perspectives of human resources (expressed, for example, through: the capabilities of employees for innovation and improvements) – reflected by the requirements of the guidelines for ontinuelni development, ie. total quality management.[6]

The model of the strategic core of the competence of human resources management, created by the backbone of the overall quality management, represents a kind of philosophy for the development of human resources performance in accordance with: the principle that determines the introduction of optimal work practice (a); the principle that the newly created work activity is performed for the first time without errors (which allows for the reduction of the costs of repetition and the modification of certain operations) (b); the principle that the products of city self–government are designed in accordance with the needs of the user (v); and the principle that determines the creation of commitment (which refers to the loyalty of employees to the goals of the city self–government and, at the same time, to the development of the career of employees) (g).[7] (Scheme **2**)

[6] Source: Torrington Derek, Hall Laura and Taylor Stephen, *Human Resources Management*, Fifth Edition, Data Status, Belgrade, 2004, pages: 270–271; customized.

[7] Ibidem, page: 277; customized.

Scheme 2 – The model of the strategic core of the management of human resources (and top management) of the city self–government created by the backbone of the *overall quality management*



3. The model of the strategic core of human resource management created using high–performance knowledge management

Successful management of human resources of each individual European city self–government must be supported, in carrying out its key process activities – knowledge management. Knowledge is not necessary only in the process of human resource planning, where it helps to "identify human resources needs and identify job vacancies".[8] It is also necessary in all other stages of the process fluid of human resources management – recruitment and selection, which are in the function of providing job applicants that optimally meet the demands of the business; then at the training stage and work performance assessment, as well as the stage of reward and termination of employment. Knowledge management is a strategic human resource management tool that can serve to effectively transform human resources into organizational values. In this context, we emphasize that only human resources, provided with knowledge, are capable of producing high-performance city self–government performance.

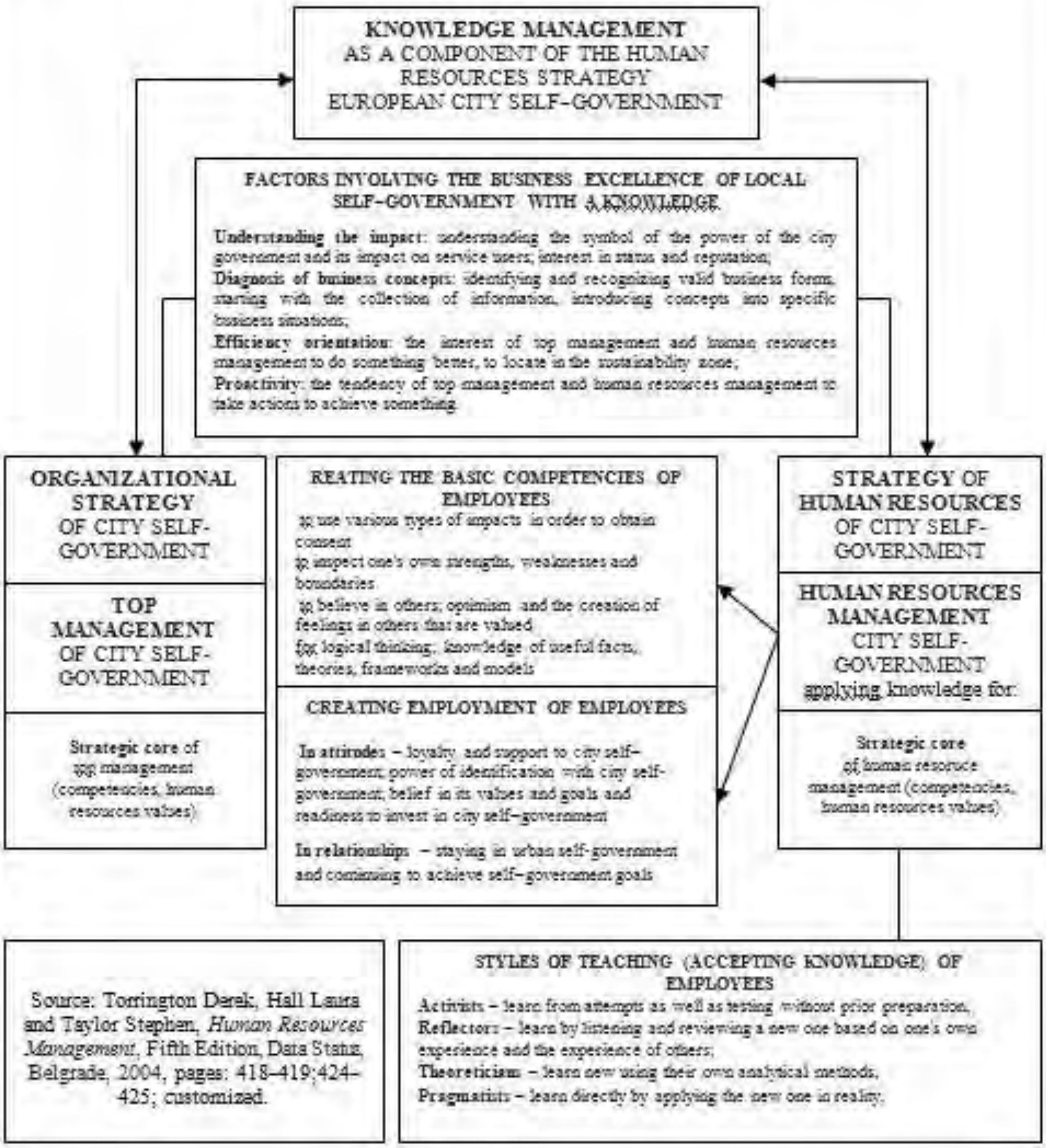
The Knowledge management is a constituent component of the human resources strategy (in addition to: talent management, attracting and retaining professional workers, learning and developing, rewarding and establishing appropriate professional relationships with employees). The performance of knowledge management, expressed as the basic competences of employees and employee dedication, form the model of the strategic core of the competence of human resources management.

[8] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Djordje, *Opus citatum*, page: 662; customized.

The relevance of this formed model is that it brings to the knowledge of how to transform the strategic options of the key sectors of the work of the unit of the city self–government into direct actions. The use of knowledge management system positions an understanding of the impact, the concept of using concepts, efficiency and proactivity orientation – as an integral element of the objectives of human resource management objectives and actions that can potentially lead to the business excellence of the city government.[9] Respecting diversity, as a power that brings knowledge into a dynamic environment, i.e. an environment that prefers the development dimension of the business, the model also sets out the completely appropriate styles of employee learning. Finally, it should also be emphasized that the model represents knowledge as the unique strength of reaching a winning aspiration that comes from the interests of the users of the services of city self–government. The Knowledge is needed to buy users instead of selling services; it is necessary to win and win, in a given constellation, the effective coordination of human resource management activities in relation to the application of successful methods and techniques for the realization of functional process segments on a strategic basis. (Scheme **3**)

[9] Adaptdet to: Torrington Derek, Hall Laura and Taylor Stephen, *Human Resources Management*, Fifth Edition, Data Status, Belgrade, 2004, *Opus citatum*, pages: 418–419.

Scheme 3 – The Modal of the strategic core of the competence of human resources management (and top management) of European city self–government created by the backbone of *knowledge management*



4. **The model of the strategic core of human resources management created using high-performance *organizational development***

The performances of the organizational development of European city self–governments that create the strategic core of the competence of human resources management are distinguished as:

- Performance related to city self–government as a social system (the goal of these performance is expressed by "improving the way employees use and adhere to the technology of work used in the business process" of the city self–government);

- Performance related to counselling or mentoring (the objective of these performance is to demonstrate a procedure in which "an employee who is formally responsible to be a helper or mentor listens to managers or employees and advises them how to resolve business and interpersonal challenges" in their sector , service or work department of city self–government);

- Performance related to employee training (the goal of these performance is expressed by creating the ability to enable certain "employed people" to adopt the knowledge, skills or attitudes they need to perform more effectively their duties within their jurisdiction, ie from their own sector, service or work department of city self–government);

- Performance related to team building (the goal of these performance is expressed by creating the conditions for "employees of a particular sector, department or work department of the city self–government to be more co–operative and better cooperate", in other words, team positioning);

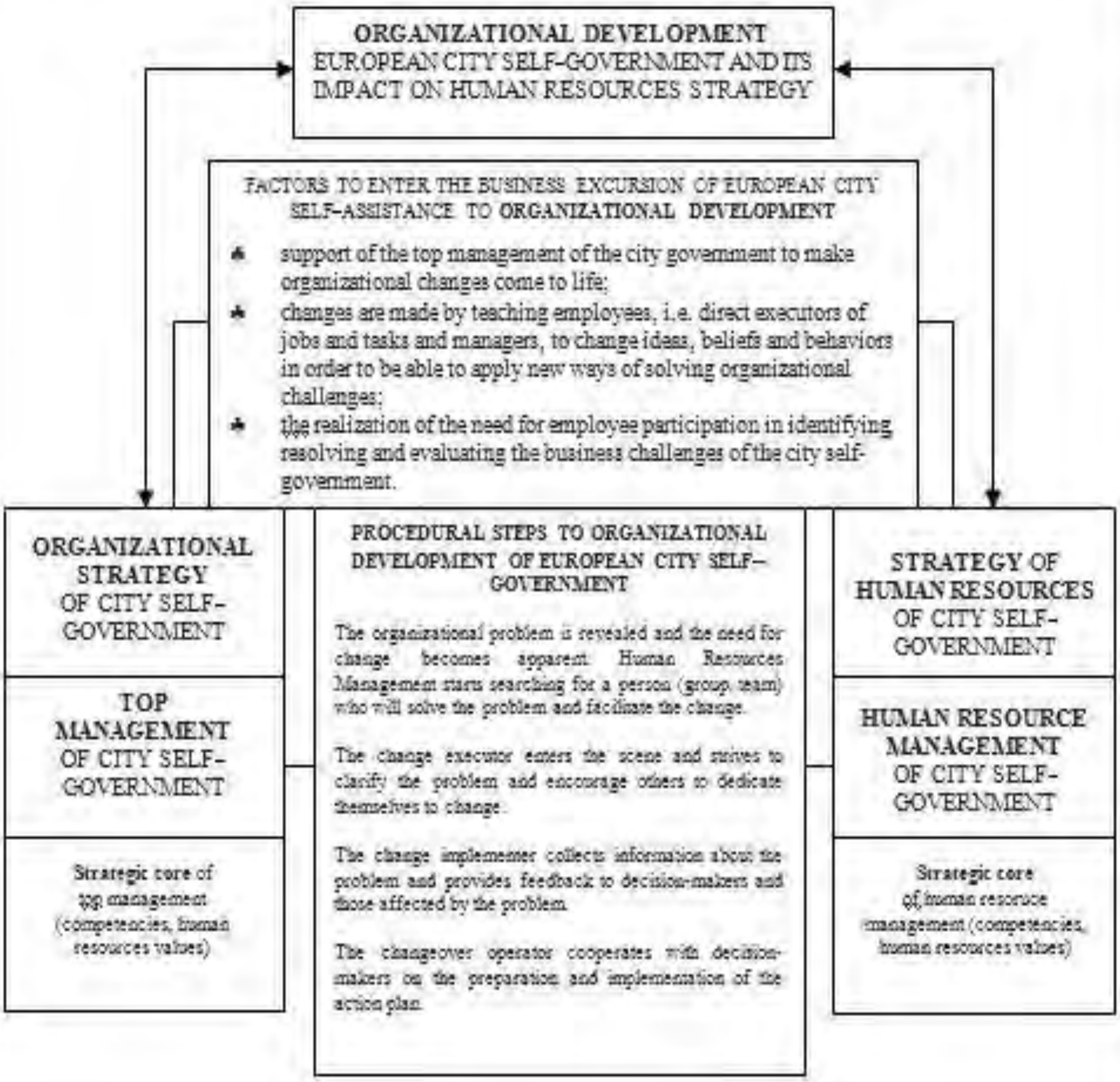
- Performance related to the setting of the goals of a particular sector, department or work department of the city self–government (the goal of these performances is expressed by creating an effort to help the given organizational form of work "to set short–term and long–term goals").[10]

The organizational development performance, strategically thought-out, human resources management uses in its human resources strategy with the intention: to influence the changes in the characteristics and effects of the operation of city self–government, that is, key sectors, departments and working departments (1); to assess how certain departments, departments and departments of the municipal administration function and help them to make their cooperation more effective and thus approach the achievement of set business objectives (2); to achieve effective collaboration among the employees of the sectors, services and working departments of the city self–government by helping them acquire new skills and knowledge (3).[11] (Scheme **4**)

[10] Source: Williams Chuck, Management Principles, Data Status, Belgrade, 2010, pages: 130–131; customized.

[11] Adaptdet to: Torrington Derek, Hall Laura and Taylor Stephen, *Human Resources Management*, Fifth Edition, Data Status, Belgrade, 2004, *Opus citatum*, pages: 418–419.

Scheme 4 – Model of the strategic core of the competence of human resources management (and top management) of European city self–government created by the backbone of *organizational development*



Conclusion

The strategic core of the competence of human resources management of each individual European city self–government is created in accordance with the systemic thinking that is embedded in the process structure – a system – consisting of three constituent phases: attracting professional employees, developing professional employees and retaining professional employees – subsystems. The strategic core of competence is important because of its influence on the positioning of the efficiency and effectiveness of city self–government operations. It is practically the creator of the human resources strategy, which is the backbone of the organizational strategy focused on achieving the prosperity of the city self–government, but also a strategy that allows for the emergence of a possible crisis.

The value–based strategic core of the competence of human resources management recognizes the need for change in the current operation of city self–government, but also proactively indicates changes in future business. Therefore, we believe that the unique strength of the vision of the top management of city self–government must be supported by strategic thinking of the operational entities of human resources management: recruitment, selection, training, work performance assessment, rewarding and termination of employment.

Human Resource Management, applying strategic, intelligent treatment of human resources, gives them the personality, emphasizing the authority of their engagement and their ability to find the right and the right solution (not acceptable) that will suit each situation. It is precisely the existence of such business situations that justifies the ubiquitous position of human resources management as a par excellence of the business partner of the top management of the city self–government.

The strategic core of the competence of human resources management can be thought out in accordance with the creation of different models, among which, for the purpose of this work, we have identified: a model that uses the overall quality management as the backbone of its content basis, a model that employs knowledge management, which, as the backbone of its content basis, uses organizational development.

The use of a model is the boldness of the one who introduces them into a business idea and transforms it into reality. Or, how is it, a little bit better than us, Danish philosopher *Seren Kirkegor*: *To get away is to lose ground for a moment*; *Do not bother to lose your life*.

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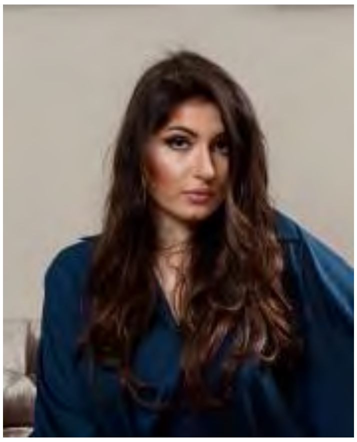

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She has three published novels Decision (2010), Pixie (2012) and Journey at the First Sight (2013) for the publishing house Laguna. She also worked on numerous film and television shoots, as a personal assistant of Monica Belluci on Emir Kusturica's On the Milky Road, as an assistant director on the national television series World Champions by Darko Bajić, Sinđelići, X Factor and much more.

She has certificates in Selling, Marketing and Distribution of Film (2015, Film in Serbia), After Effects (SAE Institute Belgrade, 2017) Director's Series (National Film and Television School, London, 2017) and The Art of Story Boarding: Direct Before you Shoot (Kaleidoskop, Belgrade, 2017).

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The Cultural Brand of the Nation That Globally Distributed Local Cinematography Builds

Mirjana Mimi Vlaović

Abstract

In this paper we will discuss the sensibility of art works, with the focus on film, and how connected to the culture of the creator they are. Of course, this idea will be introduced on the multinational level of national leading film production companies and the image they are building about their culture from their first motion pictures, to the contemporary ones. Through the most appreciated cultural diversity studies, made by eminent professor Gert Hofstede the values and dimensions of these key cultures will be analysed. The special focus will be on the Serbian film scene, and how can we improve the image that the world has about Serbia through the film industry. The main question that we will answer is how has the film industry already made a significant number of impressions about the certain culture? And what are the ways to change the prejudice through local film scene that will be distributed globally.

Key Words: Film, Cultural Diversity, Cultural Values, Cultural Brand, Brand, Cinematography.

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INTRODUCTION

People today often use the term **brand**. However, it is not certain that many actually know what does that word mean? Earlier we were referring to different companies as brands, but today one does not suggest the other. The brand does not have to be a company. Brand is a word that describes a much wider group. Almost everything is a brand today, and it was never easier to become one with the development of social media. A person can be a brand: scientists, sportsmen/women, politicians, artists. A work of art can be a brand. A drink (as Cosmopolitan cocktail became with the popularity of HBOs most successful series from late nineties), food, a quote... Something we do not consider a brand that often is a country, and especially a certain **culture**.

It may seem a bit downgrading to call a certain culture a brand. However, there is nothing wrong about that, we gather information about a certain culture in the same way we gather it about new shoes, a painter or a book. We decide to invest our money on getting to know the certain culture: its language, ornaments and rituals in the same way we decide which coffee we want to buy.

A culture has its own active or passive marketing, tradition and a target group of tourists. And we are participating in the making of the cultural brand of our nation every day with every our move. Our culture is something we are born with, something we carry inside ourselves and if we want to present ourselves well to the audience, we ought to present the culture we are connected to in that way too.

UNDERSTANDING THE TITLE

- **Brand** is an overall image that the company builds about themselves. [1]

[1] Prof. dr Leposava Zečević - Marketing Principles, European University, Belgrade

Image is the essential representation, projecting of the certain company to the audience. Image is the reflection of the company in the mirror and it should not be diverted, but precise and clear in its every segment. Communication, visual identity, standardization of the products, all working for the same goal - that every component is service of the information that the consumer should receive.

There are three points that the company has to contain to become a brand.

1. Innovation

2. Longevity

3. Quality

By innovation we mean to always follow contemporary needs of their target group of suppliers and to directly be a part of the urban lifestyle that is imposed by technological development.

- **Culture** is a system of acquired knowledge and beliefs o a certain group of people that influences their value system, creating their attitudes, behaving, feelings and thoughts. The culture is being acquired and it is not heritable. The researchers of this field define that culture is characterized by:

1. Learning - The Culture is not heritable or biologically designed, it is given with learning and experience.

2. Intergenerational transferring - The culture is cumulative and it is transferred from one to another generation.

3. Symbolism - The culture is made on human virtue of symbolization.

4. Structure - The culture is a system that has its own structure and entirety, the change in one part of the entirety is directly effecting the change in some other part.

5. Accommodating - The culture is made on a human virtue of changing and accommodating to different circumstances.

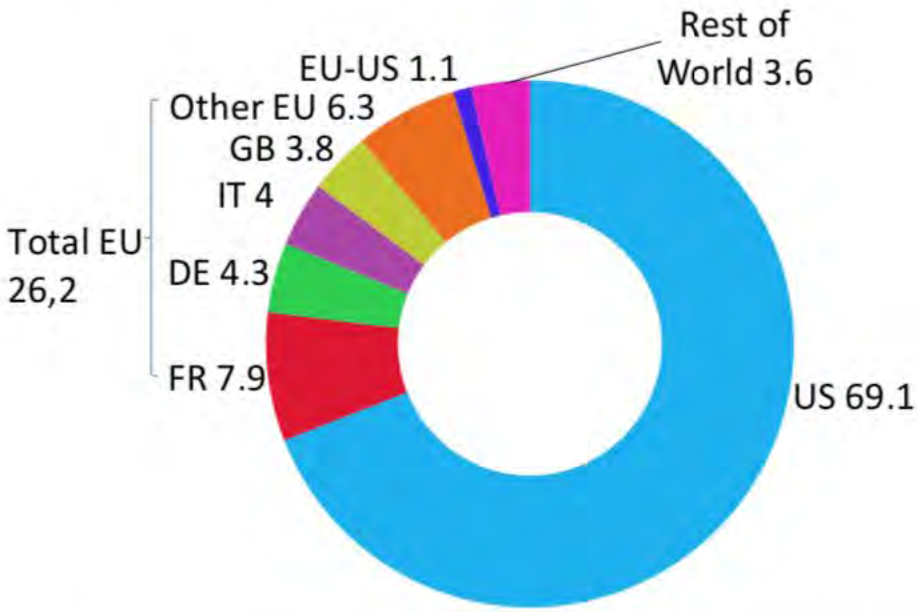
- **Local, but globally distributed**

Product that is made with local resources, local team, actors, directors, promoting local goods, but understandable globally and distributed internationally.

THE MOST ACTIVE CULTURES IN THE FILM INDUSTRY

On this pie chart we can see that the United States have the leading place in comparing to European countries. If we look only within Europe, the most active European country is France, the inventor of cinema. Second highest is Germany, than Italy takes the third place and Great Britain the fourth.

Figure 1 – Estimated market shares for US and EU films, in %, 2013



Data source: European Audiovisual Observatory, 2014.

In future there is perspective for European cinema to climb back to the top of this industry because the world market is getting saturated with American film making more and more, and independent film festivals in other parts of the world, (not to forget that Asia is one of the most important players too, but our focus is on Europe this time).

MULTINATIONAL FILM PRODUCTION COMPANIES WITH THE LONGEST TRADITION

If we want to have exact results we have to analyse only a part of this cultures cinema opus. It is quite complicated to define just one image from the whole cinematography ever made. So we decided to take one of the most strong film companies in the certain nation.

These are some of the most important world players in film industry:

Country	Year	Company
France	1895.	Gaumont
France	1896.	Pathe
Germany	1897.	Rialto film
Japan	1897	Yoshizawa Shoten
United Kingdom	1902.	Ealing Studios
Denmark	1906.	Nordisk Film
United Kingdom	1910.	Teddington
United States	1912.	Paramount
United States	1912.	Universal
Russia - Moscow	1915.	Gorky Film Studio
Russia - St. Peterburg	1918.	Lenfilm
Sweden	1919.	AB Svensk
Czech	1921.	Barandov Studios
United States	1923.	Walt Disney Company
United States	1923.	Warner Brothers
The oldest Serbian company was Avala film	1946.	

FRENCH CINEMATIC BRAND MADE BY GAUMONT

French culture is a culture where this wonderful invention of the seventh art was made. It was made by brothers Lumiere, and the premiere of the first film ever was on the 28th of December 1895 in Gran Cafe, Paris. The first film that was ever made was called: A Train Entering The Station and people were so amazed by the movement of the image that they started hiding and running to escape it.

The first business mind in the film industry was Leon Gaumont in year 1986, who made the first film production company called Gaumont which is still very active and holds the number one spot among the European film production companies. This is the production house whose sensibility we will follow in further work.

A brief history of Gaumont:

Their logo stayed almost the same since it was founded. Their colors are red and white and the shape presents a daisy, because that was the name of the wife of the founder of this company.

The secretary of Leon Gaumont Alice Guy Blache became the first female director of feature films, and after that the director of Gaumont film production till year 1907. Her first film was The Cabbage Fairy(1986), and overall she directed over a hundred short films. The Cabbage Fairy was based on the French fairytale that was about boy getting born in cabbages, while girls were born in roses. The main character of this film - the fairy, was taking babies one by one from the cabbages and roses fiding them by listening their crying. The film lasts 54 seconds, which was considered quite long back than and it is filmed in one shot like a theatre show - which is the only way of filming until the process of editing is created.

Film Cabbage Fairy

There are speculations that this is the first fiction film ever filmed. The Waterer Watered is considered as such, because its premiere was before the premiere of the Cabbage Fairy.

Until the beginning of the First World War their studio, Cite Elge in La Ville was the biggest studio in the world. The company made their own equipment and high production films, and then a foreign branch office in The Great Britain. Their biggest competition was and is still the production house Pathe Freres, and these two productions dominated the industry in Europe until the First World War.

During the war, Gaumont went through unbelievable economical loosings with the development of American, Hollywood productions. Even though they had wonderful technical developings, they could not keep up with the discovery of sound on film. In depths and under the influence of The Great Depression, Gaumont was bankrupt in the year 1935. However, after the year 1937 they started working again as a theatre and a distribution house. They were financed by a French corporation Havas which changed their name to *Société Nouvelle des Etablissements Gaumont*and which opened the film production studio again.

In the end of World War II, Gaumont had to stop producing until the year 1947. However, the global popularity of La Nouvelle Vague - a movement that was active during the fifties became very big. The freedom that was something completely different from the restrictions that were present in the Hollywood golden age.

Something that was characteristic for The New Wave (La Nouvelle Vague - which was never officially a movement, but the authors were driven by the same principles)were resisting to the classical French literature and turning to contemporary problems. They were filmed outside of the studio in long shots which were mostly hand held constantly experimenting and playing with the film forms. Their most popular authors were Andre Bazin, Jean-Luc Godard, Jacques Demy, Francois Truffaut. In this period even Alfred Hitchcock produced two of his films in Gaumont.

In year 1975 one of the french businessmen Nicolas Seydoux bought 60% of the company and became its top manager, and he is still on that position. In the 80s they produced one of the most popular teenage movies La Boum, starring Sophie Marsou. this movie inspired generations and made them feel comfortable in their skin because it was rare to see a film shot from the angle of a teenager.

The success of the company culminates from the 90s till today. Films are mostly on French, with the exception of cooperation with the American production which was very succesful. True examples of this are two iconic films from the 90s, of the fantastic inovator Luc Besson: action indearing story about the friendship between a girl and a hit man who accepts to take care of her Leon the Professional (1994) and a futuristic science fiction comedy The Fifth Element (1997).

The technological revolution appeared and Philippe Binant, the technical manager of Gaumont is importing the first digital projector prototipe in Europe and begins the European digital era.

A famous "Multi Pass" scene from The Fifth Element

In 2011 Gaumont produced and distributed the movie “Intouchables” that has become a French movie which earned the biggest amount of money ever. For instance, it was played in Serbian cinemas for almost half a year and is still number one mostly rented movie in Belgrade’s video clubs.

Last year Gaumont produced big number of movies out of which some were the biggest hits, New Year’s movie Christmas & Co. and movie about wedding organization Le Sens De La Fete.

Despet the artistic roots of the unconventional authors of the *Gaumont*, they have a need for something bigger, for a bigger production and reaching all world’s markets.

Gaumont can never lose its French authenticity and humor in the most serious life situations. This is what carries them and makes them successful, which could be confirmed by the movie *Intouchable*s (2011).

Marketing mix

PRODUCT	PRICE
Since its beginning the company Gaumont offers the same type of products, and that is the film. It has become the expert in the industry and it is still one of the most influential production and distribution house in Europe. Their products are various but are all carried by the optimistic spirit and everyday problems.	The price is the standard price of the movie ticket depending on the cinema and domestic distributor.
PLACE	PROMOTION
They distribute films worldwide, with the special echo in the French speaking areas. Depending on the budget and type of the project, meaning the film, it is being distributed to various numbers of locations. In case of the Intouchables, their most successful film, the product was affordable yet still present on all global markets.	Promotion is mostly done by the dynamic film trailers, which are later divided among the web sites and profiles of the movie lovers and cinemas which will be showing the movie. Another way of promotion are the posters and bilboards, and rarely televised movie trailers on the local station.

The future of the company:

I truly believe that despite its long tradition, the company Gaumont has a lot of space for improvement and expanding its range of products. The very fact that this is the oldest film production house since the creation of the seventh art, gives it the incredibly advantage in comparison to the competition and that should be used. Touring the studio, passing through the history of the European film throught the development of their house, workshop in which the film making process could be seen, the way it looked before and how it looks today. The tours of the studios have been functioning in America for decades, and it could be transcended to Europe because its history is longer and more various.

In future, there should be more focus on the innovations, modern age and new stories, because retelling has already become old fashioned even though it is much easier to make profit by using it. One of the exceptions in this recommendation would be the self-promoting campaign, why not even the film about the founder, Leonu Gaumontu, his secretary and first woman director?

Familiarizing this brand and love for it to the world that is something what we should be doing. Connect all of its successes and be transparent about the name behind it, not every single movie for itself.

Cultural dimensions of the French culture according to Hofstede[2]

Power distance

With the score of 68, France is rated highly on the power distance scale. Children are being brought up in such a manner that they are emotionally attached to their parents. This attachment is later transferred to teachers and later to the employers. Anyhow, it is a society where certain inequality is acceptable. The power is not only centralized in the companies and government, but also geographically.

[2] Olgica Zečević Stanojević, Internacionalne kulturne komunikacije, Evropski univerzitet

Many comparative studies have shown that French companies usually have one or two hierarchical levels more in comparison to Germany or Great Britain. The superiors have privileges and are often untouchable. The superiors or CEOs are being called Mr. PDG, which more prestigious than the title CEO, and it stands for President Director General. PDGs often attend prestigious faculties which are called *grandes ecoles.*

Individualism

With the result of 71, France is extremely individualistically inclined society. Parents are bringing up children in such a manner for them to be independent, in regard to them as well as to group to which they belong to. This means that a person should take care only about him/herself and its nucleus family.

The French combination of the high level of power distance and high individualism is extremely rare. It could be found only in Belgium, in some cases in Spain and northern Italy.

Not only that it is unique, but it could be said that this combination is contradictory. We have to mention that the results in the model do not effect anything, they only give structural framework of the reality. This combination is manifested in France in the following manners:

- One of the reasons the French are less overweight than people from other countries of the EU is due to the fact that parents in French have bigger influence over their children. It wasn't confirmed whether this is a true statement. But it is true that the family is more emotionally glued in comparison to other individualistic countries. This is a reflection of the high score on the scale of power distance with higher regard to the elderly.
- The subordinates usually pay formal respect and show compliance towards the boss, however, behind his/her back they can do the total opposite of what they have promised, since they think they know better but are not being given a chance to show that. The other reflection of the high score at power distance is opposed to the formal obedience, is the absolute declining of those at higher positions, as if there wasn't other was except for the revolution.
- The employees and the unions do not talk to each other and perceive each other as if they were different species.
- The urge to make big distance between work and private life is even higher than in America, even tough America has the highest score on the scale of individualism. This is due to the fact that employees more quickly feel under pressure in comparison to the USA due to their emotional dependency towards the boss and his/her requirements. In cultures which have high level od power distance and collectivity –normal combination – this type of dependency is welcome. Especially if the superiors behave as benevolent fathers.
- The urge for the strong leader is stronger in France in times of crises. When the commotion is settled leader should initiate the milder for of leadership.
- The customer service is bad when it is being examined form the Anglo-Saxon representative who believe that the customer is the king. This is not the case in France. The French are only motivated to be the best in their field. They expect the respect for what they are doing and only when they get are they happy to serve with quality.

Masculinity/Femininity

With the score of 43, France is leaning towards the femininity culture. This could be seen in their infamous securite sociale system, 35 working hours and 5 weeks of the vacation annuly. As well as by focusing on the quality of life. French culture has oen unique characteristic. Higher class has higher score in femininity where as the lower one has the traits of the masculine one. This characteristic is not shared by any other country. The differences could be determined by:

- Top managers earn less than expected due to the high score on the scale of power distance.
- Married couples of the high society can go public with their lovers without the negative consequences, at least in the past. The Klinton-Levinski scandal in the States was never understood in France. Also, crime passionel" meaning act of crime committed because of passion had a slightest advantage in comparison to other crimes at court.

Uncertainty avoidance

French have the result of 86, which shows us the following:

- They do not like surprises at all. Structure and planning are obligatory.
- They like to gather all necessary pieces of information before the meeting and negotiation.
- As consequence, the French are good at building up complex technological systems, such as the nuclear fields, fast trains and airline industry.
- There is also a big wish for emotional security because of the combination of the high level of uncertainty avoidance and high scale on individualism scale which strengthen each other, to put it this way. The French are really communicative but could also be big instigators.
- There is a big need for laws, rules and regulations of the life structure. This does not mean as in other Latin countries, that the majority of French will follow these rules. With high score at power distance scale, people at higher positions have certain privileges, they are not obliged to follow all these rules which are entitled to control people on the streets.

Long Term Orientation

France scores high (63) in this dimension, making it pragmatic. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results.

Indulgence

France scores somewhat in the middle (48) where it concerns Indulgence versus Restraint. This, in combination with a high score on Uncertainty Avoidance, implies that the French are less relaxed and enjoy life less often than is commonly assumed. Indeed, France scores not all that high on the happiness indices.

Intercultural Competencies in France

Meetings

The French are well trained orators who are trying to break their opponents with ice cold logics. This style is enhanced with their rich imagination and it makes them invincible. They only way to stop them in bombastic speeches is to agree with them at the beginning of their speech. Rationality, confirmation, logic are the key terms in relation to their culture.[3]

[3] Prof dr Olgica Zečević, Internacionalne kulturne komunikacije, str 75

Negotiation

French think of themselves as the best negotiators, they are more inclined to the ideology and it is difficult for them to accept the facts immediately. In negotiation they are competitively inclined and love to contrast their attitudes, but also to react emotionally and theatrically. In France the consciousness of the social status in extremely strong as well ast the level of power distance and centralization according to Hofsted.[4]

Listening

French are thought to be the worst listeners. They firmly believe in their intellectual superiority which makes them unwilling to allow other people from other cultures to guide them. Their attitude is that they probably already know that, French language is the best anyway, they are extremely busy and therefore the interlocutor better speak quickly and in a fun manner.[5]

BRITISH CINEMATIC BRAND MADE BY WORKING TITLE

Working Title Films Limited was founded in London in year 1983, by Tim Bevan and Sarah Radclyffe who left the company in 1992, while Eric Fellner took her place and stayed on that position till the present time. This is a British production house that was very active in the building of a British brand since their founding. One of their biggest stars Hugh Grant became a prejudiced prototype of a British man for foreigners who watched their films. They also made one of the most popular Christmas movies which made the British brand even stronger, Love Actually(2003, Richard Curtis). They were bought by Polygram in 1997 which is now owned by Universal studios and they have a representative offices in Los Angeles and Australia too.

Tim Bevan explains in one interview for the Guardian: ,,When we were independents we were very wary about the studios. But what we realised through our experience with Polygram is that being part of a US studio structure is essential if you want to play the long game in the movie business. Six studios control movie distribution worldwide. The various supply engines, like talent agencies and marketing people, understand the studios and everyone who is playing seriously in the film business will be part of a studio structure."

Eric Fellner adds: "I guess technically not owning the company means we lost control, but the way the film business works is that it's people-driven rather than structure-driven. Tim and I are by profession film producers, and the business of Working Title is producing films. By dint of that we get to run it how we

[4] Prof dr Olgica Zečević, Internacionalne kulturne komunikacije, str 132
[5] Prof dr Olgica Zečević, Internacionalne kulturne komunikacije, str 92

want. The production company itself will never be a profitable company. The value is not in ownership of the company but in part ownership, as we ultimately have, of the rights of any film made."

They have a lot of successful products, but we will mention few. At first they produced a couple of Channel Four films, Wish You Were Here (1987) got a BAFTA for the best screenplay. After some time one of their films became a hit - Four Weddings and a Funeral (1994) is still one of the highest rated romantic comedies which defined their future stylistic genre. One more great romantic comedy, French Kiss (1995, Lawrence Kasdan) with two of Hollywood's stars - Meg Ryan and Kevin Kline became another success. Then the Cohen brothers decided to make their film The Big Lebowski (1998) with them. More Hugh Grant movies coproduced by Richard Curtis make unbelievable success: Notting Hill (1999) co-staring Julia Roberts, Bridget Jones Diary(2001) co-staring Colin Firth and Rene Zelwenger, About a Boy(2002) and Love Actually(2003). After that a new era for Working Title begins. The Guardian concludes that the directors of the company were keen to staunch rumours that the era of British romantic comedies from Working Title is dead, and firmly place Pride and Prejudice (2005) as part of that brand.

They decided to try to produce classical literature stories and to replace Hugh Grant with Keira Knightley: Pride and Prejudice (2005) abd Anna Karenina (2012).

The first on-set song recording musical Les Miserables(2012) is their next move, which reveals a young talent Eddie Redmayne who is the star of a couple of future projects: his Oscar winning performance in Theory of Everything(2015) about Steven Hawking and The Danish Girl (2015). Last year they produced Bridget Jones's Baby, Victoria and Abdul, Baby Driver with Kevin Spacey, The Snowman, and their last hit was Oscar nominated The Darkest Hour about Winston Cherchil and the Dunkirk operation.

The Future of the Company:

Working Title Films will continue to produce hits in the international box offices, there is space for development especially in the TV series department, because that is one of the most profitable parts of the industry now. Paolo Sorentino even said that it is a new way to do films. They started to turn more to the European market and creators which is a smart move. After the success of The Darkest Hour maybe they will start to make historical dramas. European history is truly rich, so there is space for that movement. Their strategy of placing the one star in a main role of a couple of films is very good in my opinion, because the audiences love repetition, they love to love a certain actor or actress, and that is something that will make them visit cinemas if it is done in an inventive and original way.

Marketing Mix

PRODUCT	PRICE
Their products are mainly films. They produced a couple of television shows too, and they also produced one theatre show, a musical Billy Elliot. Their films cover a lot of different genres and coproductions with the American film makers and actors.	The price depends on a region and a place. It is a standard price of a cinema/theatre ticket or an on demand platform.
PLACE	PROMOTION
Their two head locations are London and Los Angeles, however, their films can be found in a lot of international cities and countries, depending on a budget and the analysis of the target group of the certain project.	They are active on social medias, and they present their films through trailers on the internet. They also use billboards and posters on the cinemas.

Cultural Dimensions of the British Culture According to Hofstede

Power distance

Power distance ranks 35 in the UK, the results are lower between the higher class, which is usually not the case. People tend to try to erase the inequalities amongst them and should be treated as equals.

Individualism

Individualism score is 89, which is only lower than Australia and USA. They respect their privacy and are firstly counting on themselves. From childhood they are taught to find their unique purpose in life and to search for their unique contribution to society. "The route to happiness is through personal fulfilment".[6]

Masculinity

Britain is a mostly Masculine culture, with a score of 66. Professional success is the priority, and people are ambitious. Although they are not very straight forward in the business language, it is crucial to read between the lines.

Uncertainty Avoidance

Ranking 35 on the scale of Uncertainty Avoidance British people tend to be spontaneuos. They live by the rules of fair play and that is why they don't mind waiting in lines. In business they define the main goal, but the strategy does not have to be planned in details. They are looking for different, innovative ideas and are not afraid of changes.

Long Term Orientation

Exactly on the edge with the score of 51, so we can not discuss their preferences in this field.

[6] Gert Hofstede, official website, hofstede-insights.com

Indulgence

An Indulgent culture with the score of 69. They are optimistic and find time to fulfil their desires and impulses.

Intercultural competences in Great Britain

Meetings

In the UK a meeting will probably be concluded successfully if one doesn't rock the boat. Humour, understatement, vagueness, stalling, re-packaging and a sprinkling of white lies are all weapons for keeping it all jolly nice.

Listening

British people, with their debating traditions, must listen well in order to construct their reply. Polite listening is mandatory, though one may occasionally interrupt. British speakers would normally be rather understated and include humour, so foreign speakers would do well to follow suit. Feedback is often lively and productive.

Negotiations

In Britain managers manipulate subordinates with friendly small talk, humour, reserved statements of objectives and a very casual approach to getting down to work. They may even level criticismat at themselves. Irony is a powerful weapon either way.

RUSSIAN CINEMATIC BRAND MADE BY TRITE

Studio Trite (Three letters T) is founded in 1987 by one of the most acclaimed Russian directors Nikita Mihalkov. It is often that in Eastern Europe major production houses got closed because of the political changes in the last century. Directors then created their own production companies so they could have the freedom of making art. Minor production companies are made even from film to film. Studio Trite is still active today, making the films of Nikita Mihalkov and also other authors.

Their first movie is Oci Ciornie (Dark Eyes, 1987) with Marcello Mastroiani and it is about a journey on the sea where two passengers: an Italian man and a Russian girl become close and he tells her his life story through beautiful flashbacks. Then an artistically masterpiece Urga (1991) followed, and after that two magical classics Burnt By The Sun(Utomlienie solncem, 1994) which won two awards at Cannes, and an Academy Award for the best foreign film and The Barber of Siberia(1998). These movies are connected with a strong feeling of melancholy and good old times, also spectacle scenes of beautiful balls and carnivals. They also present the consequences of Russian political climates through wonderful and forbidden love stories. Their most recent project is Sunstroke (2014), again a nostalgic love story that a soldier remembers of in his last moments.

Marketing Mix

PRODUCT Their products are mainly films. They produced a couple of television shows too, and they also produced one theatre show, a musical Billy Elliot. Their films cover a lot of different genres and coproduction’s with the American film makers and actors.	PRICE The price depends on a region and a place. It is a standard price of a cinema/theatre ticket or an on demand platform.
PLACE They work mostly local, and their films focus on local audiences. However, they had enormous international success through film festivals.	PROMOTION They are active on film festivals, they use social medias (movie trailers) and billboards too. They advertise films through television too, and Sunstroke (2014) for example was on TV only a week after it premiered.

The Brand That Company Builds For Its Country

This is a peculiar case, because almost all of their products are made by one director, resulting that the brand they make is a personal growth and philosophy of Nikita Mihalkov. Films are very nostalgic, they are reminding on true values and true love which is never with a "happily ever after" in their films. Those moments of enchantment that haunt people their whole lives and a political reality that imposed a certain role to those people and families. A role they have to play if they want to have a chance to live a normal life. Aesthetically beautiful, very strong, emotional and extreme are motives that viewers are left with after watching one of their films. Their brand is full of strong emotions, dignity, happiness, betrayal, revenge, extreme love, beautiful feminine women and head strong masculine men. Audience can conclude that in Russia family comes first, and that loyalty is the most deceiving game in human relations.

An image from Oscar winning "Burnt by the Sun"

The Future of the Company

Nikita Mikhalkov was planning to make an award show that will be an equal to the Academy Awards; however the priority would be on European and Asian motion pictures. This is a very brave and ambitious idea, but if anyone can make it come true it is him. It would be a phenomenal step for such a company to grow. In future it will for sure cooperate with other Euro-Asian production companies and hopefully draw attention to this part of the world too. When he was opening a festival in Krim he also revealed that it was never his intention to battle Hollywood, just to make a place in world cinematography that Euro-Asian film makers deserve.

Cultural Dimensions of the Russian Culture According to Hofstede

Power distance

Russia, scoring 93, shows a great importance of status symbols and respect of the authority.

Individualism

Score of 39 shows how collectivist this culture is. Even in their language they are using "we" much more often than "I" and are always thinking in plural. How to help their family, friends, and company? Trust between the co-workers is usually based on personal conversations.

Masculinity

With the score of 36 it is a Feminine culture. This means that they are family oriented, and their priority is good quality of life opposed to high working positions.

Uncertainty Avoidance

Scoring 95 Russians are not comfortable with many changes and do not support innovative and different ideas. They need to check all the information before making the decision.

Long term orientation

With a very high score of 81, Russians are adapting their behaviour depending of the environment and context.

Indulgence

Their score is 20 which tell us that people are cynics and pessimists, they are restrained by social norms and they feel that it is wrong to make yourself happy and fulfilled.

Intercultural Competencies in Russia

The leadership concept is undergoing profound changes in Russia following the demise of the Soviet Communist state. Efforts made by managers to promote business through official channels only are likely to founder on the rocks of bureaucracy and Russian apathy. Using key people and personal alliances, the "System" is often by-passed and a result achieved.

Meetings

The atmosphere at Russian meetings depends very much on the context. In Soviet times one was engaged in long-drawn out, cautious discussions with frequently intransigent civil servants. Russians of all categories know how to blow hot and cold and can be theatrically verbose as well as icily tight lipped. In the current fluis situation Russians entrepreneurs are opportunistic and of many ethnic backgrounds and while they are more flexible than state officials, they are unlikely to be very accommodating and conduct negotiations in chess tempo.

Listening

Russians automatically distrust official statements, whether made by governments, state agencies or big multinationals. Personal messages, even rumour, ring true. Russians listen best, in small numbers or privately, to a person who presents an opportunity, shares their fate and conspires to "beat the system". Speakers, especially foreigners, should be blunt, confiding and obviate any deviousness.

Negotiations

Nigel Holden sees Russian, where social distance is encoded in highly subtle ways, as resembling Japanese as a flexible management language in network mode. Soviet managers were involved little in such areas as leadership or motivation of employees. The management style utilised threats and coercion to produce results demanded by socialist ‘planning'. How Russian will develop as a language of management in the future depend on modes of address using names and titles as the development of formal and informal mechanisms which do not remind subordinates of coercion and control.

SERBIAN CINEMATIC BRAND MADE BY INTERMEDIA NETWORK

Intermedia Network was founded in 2004 in Belgrade, Serbia by Dejan Petrović. Since then they have produced the most successful Serbian films, documentaries, television series and meaningful events. Their first project was presenting Serbia in a better context on the 2004 Olympics in Athens. Their official statement looks like this:

"All inconveniences we have passed in last period resulted in bad image of our country. 2004 Olympic Games in Athens were ideal opportunity to show to the whole world that Serbia as a country has changed. Therefore, a group of famous personalities from Serbian public and cultural life, marketing and PR experts, and media companies gathered in SOFT team (Serbian Olympic Fun Team), created a project “SERBIA – COUNTRY WITH A SMILE” wishing to move and include state institutions and businessmen in promotion of Serbia’s new face. And they succeeded. Everybody helped in successful project realization representing Serbian culture, economy and sport and executive production was carried out by Intermedia Network and Channel 3 of the Serbian National Television. This project was supported by the Serbian President, Premier and the Chairman of the Serbian Parliament."

The first film they worked on is a coproduction on the movie *Chasing Luck(y)* (2004, Milorad Milinković) about a man who wins a prize on the lottery and then loses the ticket which gets into wrong hands. Their future important projects are historical satire *Black Gruya and The Stone of Wisdom* (2007, Marko Marinković), *On The Beautiful Blue Danube* (2008, Darko Bajić), a visual spectacle about a village that lost all men after World War I *Tears for Sale (*2008, Uroš Stojanović), and then the highest grossing Serbian movie in the last ten years *Montevideo, Taste of a Dream* (2010, Dragan Bjelogrlić). Montevideo, Taste of a Dream launched a whole new generation of actors that are still very popular, it is directed by Serbian famous actor Dragan Bjelogrlić who believed in this fairytale and made it come true. This film is about qualifing for the first World Championship in Football, when it was not considered a professional sport, but just a hobby. This endearing tale is speaking about a true story with mostly fictional storylines about the personal details of the characters. This was an enormously successful project which hit the target because football is something Serbian people passionately love, and the story about its local beginning with a number of romantic turns on the side was something domestic audiences were hungry for. They even filmed a sequel *See You in Montevideo* (2014, Dragan Bjelogrlić) which was equally successful.

Intermedia Network, as they have discovered a magic potion, decided to make a very similar project, with similar actors, about basketball. This time the director was not Dragan Bjelogrlić, but Darko Bajić, Serbian acknowledged director who is a professor on Faculty of Dramatic Arts. However, this project was very ambitious and it did not fulfill the expectations because audiences thought it will be the same as their previous and did not visit the cinemas.

Marketing Mix

PRODUCT They started with events, then television series, documentary and fiction films. Now they are most active on television.	PRICE The price depends on a region and a place. It is a standard price of a cinema/theatre ticket or an on demand platform.
PLACE They had a couple of coproduction's, mostly with Greece. They shot their projects internationally. However, their target groups were mostly local.	PROMOTION They have a strong campaign on billboards, posters, in cinemas and television. They could improve their social network marketing.

The Brand That This Company Makes For Its Country

In Serbia, most of the films are dark, about the war, depression, vices and people who are lost. It is very rare that a company takes a mostly positive stand and presents its country with its strongest features: team work, passion, warmness, beautiful locations... Since their first event Intermedia Network was making a good image to its origins and they have faced how difficult it is to sell these kind of projects internationally. For instance, *Serbian Film* (2010, Srđan Spasojević) which was banned in a lot of countries because of vulgarity, profanity and disturbing images had a much better reception internationally - 18 countries worldwide, while *Montevideo, The Taste of a Dream* (2010) which was distributed in the same year was not interesting enough for the audiences abroad - five countries worldwide. People abroad think that Serbia has not other interesting topics to offer, and it is time to prove them wrong. Topics that Intermedia Network is covering are creating a positive and honest vibration across their country, presenting Serbians as team players, ambitious, hard working, warm and passionate people, with great food and music.

The Future of the Company:

Intermedia Network will stay the strongest production company in Serbia at least untill the end of this decade. Their future projects are mostly television series that are becoming a very powerful and profitable medium. The topics they are covering are female independence, Belgradians and their characteristics, interesting stories based on real events.

Cultural Dimensions of the Serbian Culture According to Hofstede

Power distance

Serbia's score is 86 that means that they accept authority and difference between the social layers without many explanations. The ideal boss is a benevolent autocrat and the employees expect to be told what to do, and do not have many initiative to talk about their own ideas.

Individualism

Serbia ranks 25 which mean that they are collectivists. They think as a "we" more than as an "I" and they make plans for the future in groups, family, friends or a company. They respect loyalty as the most important characteristic.

Masculinity

Serbia ranks 43 which mean it is mostly a Feminine society. People value quality of life more than financial power. They use compromise and negotiation to resolve conflicts and they are flexible about the working time if it the excuse is justified.

Uncertainty Avoidance

Serbia's score is 92 which mean that they ask for rules and beliefs and are not open to unorthodox behaviour or ideas. It also means that they are afraid of changing and new suggestions and are certain only in traditional things they know. Security is one of the most important elements for the workers to feel welcome.

Long Term Orientation

Serbia ranks 52, which means that the population is almost equally divided between thinking from day to day basis, and planning their whole lives upfront.

Indulgence

Serbia's score is 28 which mean that people will not express their emotions easily and believe that that is not socially acceptable. They control their desires and appear ironic and cynic, thinking that opening up is wrong and shameful.

How Can Serbian Film Help Serbian Tourism?

- With more international coproductions that will make international distributions easier to organise.
- With more innovative and present time topics that will make other nations identify too. Under condition that plots make safe, hospitable, happy authentic and patriotic atmosphere.
- With more historic plots with strong dramatic structures.
- When the film is chosen for an international festival, the authors should try to be interesting, striking and notable, with powerful speeches and messages to deliver.
- Trying to sell Serbian television series with a license to other nations.
- With making Belgrade as one of their characters, the city with a soul and charisma.

Conclusion

Film is a very influential tool for manipulating the masses. The propaganda through film can have a bigger impact than books or scientific researches because film is a series of images that stay in the minds of people easier than words. Many producers, directors and screenwriters are not that aware that every image they create stays in the subconsciences of their audiences forever. This power is something that must be used for good, and to advertise decent social values. It is also something that can make people internationally change their prejudice about a certain politic image of a country, and actually appealed to visit certain destinations.

In this paper we discovered how some of the biggest production companies created an image about their own culture through their products. It is very captivating to start looking at films this way, how are the characters promoting something original about their own nation? How are the locations promoting something different in their city and country? How is the music attracting audiences with a similar taste in the other corner of the world? With a fresh eye of a foreigner, one culture can seem a lot more interesting than the locals are aware it is.

Cultural analysis can help us perceive features that makes us different and can also make us understand what would be good to change, so we can change it with the story. One film is maybe not that impactful, but ten can already change something. If Serbia creates averagely ten to fifteen films a year, in ten years more than a hundred films that have a patriotic and positive approach to its culture can really make a difference.

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Jelena Dakić was born in Belgrade, in 1985. She attended primary school "Đura Jakšić" and high school "Uroš Predić" in the city of Pančevo. Jelena obtained her degree in Italian language and literature at the Faculty of Philology, University of Belgrade in 2010. During studies, she attended a course in Italian at the „Università per Stranieri Dante Alighieri" in Italy. She provided training in Italian to the students of a grammar school in Belgrade, and obtained a professional practice certificate from the foreign language center "Equilibrio". Jelena worked in Sitel Belgrade for four years, as Italian and English call center operator. From September 2017, she teaches Italian and English at the European University in Belgrade.

Impact of Cultural Characteristics on Business Development and Marketing, with Focus on Italy

Jelena Dakic

Abstract

Culture may be defined as the integrated sum total of learned behavioural traits that are manifest and shared by members of society. Culture reveals itself in many ways and in preferences for colours, styles, religion, family ties and so on.

Culture, alongside economic factors, is probably one of the most important environmental variables to consider in global marketing. Culture is very often hidden from view and can be easily overlooked. Culture has both a pervasive and changing influence on each national market environment. Marketers must either respond or change to it. Whilst internationalism in itself may go some way to changing cultural values, it will not change values to such a degree that true international standardization can exist.

The major elements of culture are material culture, language, aesthetics, education, religion, attitudes and values and social organization.

Culture affects international business in three core areas: communication, etiquette, and organizational hierarchy**.** Effective communication is essential to the success of any business venture. Understanding the importance of subtle non-verbal communication between cultures can be as crucial in international business as the language itself. Workplace etiquette refers to the formality of address, punctuality, attitude to workplace confrontation, rules and regulations, and assumed working hours. When defining roles in multinational teams with diverse attitudes and expectations of organizational hierarchy, it can be easy to see why these cultural differences can present a challenge.

With respect to cultural characteristics of southeast Europe, more particularly Italy, certain cultural characteristics are notable to the eyes of investors from western countries.

In general, normal Western European protocol and norms would be appropriate in Italy. The turnaround in receiving business responses from companies and other institutions may not be as fast as elsewhere, however, it is not an indicator of disinterest. If invited to dinner, it is advisable that one bring the host or hostess a small gift of appreciation. Never outright refuse drinks or food when in an Italy's home. Dress is comparable to that of Western Europe.

Key Words: Culture, Communication, Language, Etiquette, Organizational Hierarchy, Italy.

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Introduction

The number of companies operating internationally is growing constantly. The world is opening up for foreign firms and the number of new destinations for business is increasing. Due to high competition, companies operating abroad are faced with much more complex tasks then before. When going international, the challenges a company must handle are new and unfamiliar. Obstacles the firm never faced before are becoming crucial in the everyday work. Culture presents one of these obstacles and can affect the entire business operation. Culture can influence the business in different ways. Language problems and culture collisions are not uncommon, especially in the start-up phase. The company must be able to handle these difficulties in a way satisfying for all stakeholders. Mistakes can be difficult to correct and disrespect for the foreign culture can destroy the entire operation.

Cultural differences result different ways of doing business; for example, when it comes to planning ahead and keeping delivery times. Culture can be both a positive and negative influence and many companies are struggling in the new and foreign environment. The important thing to always have in mind is that the foreign culture may differ from ours, requiring us to prepare before starting the new foreign operation. Respecting and understanding the new culture without forcing our own beliefs on people, are things that can be extremely helpful to consider. By learning the host country language, respect and trust may be won more easily, and competitive advantages can arise.

It is easier to enter a new market if the company can create partnerships in the new country. By doing this, many obstacles can be reduced and the entry can be much more successful. Companies seem to have most success if they are expanding to a country with similar culture. Even if a country seems to offer once-in-a-life-time opportunities for the company, it must consider the risks and difficulties of entering an unknown market. If the company sells product that need specific adaptations, the firm is forced to learn more about the country´s culture. This learning can lead to benefits, but these benefits could be out weighted by the cost that this learning includes.

Culture

We cannot avoid seeing that the business environment is changing in many ways, and so does the cultural environment, which is one of the most challenging areas for international business. In order to understand and influence consumers' wants and needs, foreign companies must understand different cultures. Culture has been defined in many different ways, reflecting the variety of cultural phenomena that can be observed.

"Culture is the integrated sum total of learned behavioural traits that are shared by members of a society". (Terpstra, 1994)

Culture also reveals itself in many ways and in preferences for colours, styles, religion, family ties and so on. The colour red is very popular in the west, but not popular in Islamic countries, where sober colours like black are preferred. Culture is very often hidden from view and can be easily overlooked. Culture is one of the factors that determine the way people think, act and interact; and it is composed of many layers. Some of them are obvious, such as customs, arts, food and celebrations. Others, such as social status, body language, social interaction, sense of humour, concept of time, or even the definition of insanity, are not as noticeable.

Cultural factors have an important impact on the flow of business. The most important issue for a foreign company is cultural analysis, which includes information that helps the company´s staff to take decisions. This information from the cultural analysis must be more than collecting the facts; these must also be interpreted in the proper way (Czinkota, 2007).

Culture, alongside economic factors, is probably one of the most important environmental variables to consider in global marketing. Doing business with foreigners is about understanding the hidden part of their underlying culture. Understanding the culture of a particular country and respecting its customs and traditions plays an important role in international business. There are various elements of culture, like customs and traditions, mannerisms, values and attitude, religion etc. that are of importance to international business. All these elements have to be thoroughly understood before entering new markets. The culture of the country influences the culture at the workplace. Culture has a major influence on the consumption patterns. Marketers have to study the acceptability of the product and its advertisements in a particular culture. Cultural business environment relates to operation in the other countries with consideration of cultural values of the host nation. Generally, the cross cultural business environment means considering the general beliefs and values, history, language, religion, geographical location, government and education. As culture influences behaviour and one's reaction to a given situation, it is a primary element of communication in general and even more so in a business environment. The major elements of culture are material culture, language, aesthetics, education, religion, attitudes and values and social organization.

Understanding cultural differences and overcoming language barriers are some of the considerations people should have when dealing with various cultures. Often business deals are lost because the parties involved did not take the time to learn about each other's' cultures prior to interacting. Doing business with foreigners is particularly delicate. This could differ from one culture to another and what is customary in one country could be considered extremely rude in another, including basic customs, mannerisms and gestures. For example, if a salesperson approaches a meeting with knowledge of a customer's cultural background, then his words, body language and actions can all be adapted to better suit those of the customers. This in turn may lead to being better liked by the customer, ultimately increasing the salesperson's opportunity to close the deal.

While there are a number of ways to define culture, put simply it is a set of common and accepted norms shared by a society. But in an international business context, what is common and accepted for a professional from one country could be very different for a colleague from overseas. Recognizing and understanding how culture affects international business in three core areas: communication, etiquette, and organizational hierarchy can help you to avoid misunderstandings with colleagues and clients from abroad and excel in a globalized business environment.

Communication

In the business world, communication is imperative for the successful execution of daily operations. Effective communication is essential to the success of any business venture, but it is particularly critical when there is a real risk of your message getting "lost in translation." But more than just the language you speak, it's how you convey your message that's important. Understanding the importance of subtle non-verbal communication between cultures can be equally crucial in international business.

From the elements of culture, language is the most obvious cultural distinction that can affect international business. Language is one of the major issues when it comes to negotiations with trade partners from other cultures. Although it is not always indispensable to know the partner's language, several studies show that a link exists between successful company performance in winning new business in foreign markets, and the ability of the company to conduct its business in the language of the customer. According to Tayeb (1998), language is one of the main issues when it comes to negotiating with foreign business parties. Knowing the foreign language can lead to more successful negotiations. Not speaking the foreign language can lead to need of a translator and a more time demanding co-operation. On the other hand, to talk the foreign language can be a decisive competitive advantage. Language can also affect the process of building a relationship with the foreign company. It can be difficult to understand jokes and sometimes it is hard to know if people who generally talk loudly and hard are angry or not.

There are more than 3000 languages spoken in the world and each language is key to its culture. Language reflects the nature and values of society. There may be many sub-cultural languages like dialects which may have to be accounted for. Some countries have two or three languages. Language can cause communication problems - especially in the use of media or written material. It is best to learn the language or engage someone who understands it well.

Language is the key to a person's self-identity. It enables the person to express emotions, share feelings, tell stories, and convey complex messages and knowledge. Language is our greatest mediator that allows us to relate and understand each other (Imberti, 2007). It can be defined as a system of conceptual symbols that allows us to communicate. It also provides us with a significant frame of reference and a relational context that sustains our identities (Imberti, 2007). The understanding of the link between language and social identity patterns is of great importance to the international business community. Within organization studies, language is generally defined as a communicative system of shared meanings that is central in constructing organizational, social and global realities (Astley & Zammuto, 1992; Daft & Wiginton, 1979). Corporate language is at once an organizational artefact of how thoughts are formulated as well as how they are communicated and discussed. It becomes important in regards to eliciting employee and investor commitment around strategic initiatives. Carefully worded statements of strategic intent and corporate values in annual reports, internal organizational documents and plasticized pocket-sized value-statement cards are just a few indicators of this. In addition, more and more companies have begun to put in place implicit language guidelines for virtual communication including email, texting, webex and video conferencing in order to avoid misinterpretations.

Different languages automatically create challenging situations for international companies. It is the responsibility of management to understand the differences in cultures in order to develop strategies which are equally acceptable in different cultures.

Business communication in Italy

Doing business with another culture is not an easy task and to be successful, every foreign company should be aware and follow some rules that make their business activity more compatible. Even if these can be important when doing business in the home country, they become more crucial when going abroad.

Doing business in Italy has proved highly successful for scores of global companies – and will continue to do so as the country continues to grow at a steady rate. Italy has a well-educated and discerning consumer base as well as a vibrant manufacturing sector. Like all countries, Italy has a distinct and unique business culture. Italians, like most south European people, are relationship-oriented. They usually prefer to establish direct relationships, even superficially, before “getting down” to business.

Italians are very pleasant with foreigners, probably because Italy is a favourite place for tourists who are often captivated by the country’s history, natural beauty and culture.

The way Italians speak is completely original. The most important element of communication are the gestures: the way they move their hands, hold their heads, move their shoulders, their facial expressions, as well as the way they use their eyes and mouths to make themselves understood.

Due to globalization, people from various cultures and countries increasingly conduct business with each other. Technology enables people to easily connect with people around the world in a moment's notice, but there are a few rules to remember before doing so. When making an international phone or video conferencing call, be conscious of the time zone differences and make sure to set a reasonable time for all involved parties to interact. It is important to remember that cultural differences can also affect availability. For instance, just because you schedule a conference call for the middle of the business day does not mean that the time will be favourable for the people you are conducting business with. Many Italian cultures have longer lunch breaks than Americans are accustomed to, which means there may be a two- to three-hour time period during the day in which the person you would like to meet with is unavailable. Asking for availability prior to making the call is the best way to avoid any confusion. Once you are able to connect, speak clearly and slowly.

Business etiquette

Business etiquette, negotiations and even contracts (the latter of which, in some countries, are a sign of distrust), are just a few of the numerous business practices that are influenced by culture. Part of the business etiquette is to hand out or receive a business card with both hands, and it is considered rude not to look at it carefully before putting it away. In some countries, negotiations cannot take place before socializing, drinking tea or coffee or having a meal.

What might be commonplace in your culture — be it a firm handshake, making direct eye contact, or kiss on the cheek — could be unusual or even offensive to a foreign colleague or client.

The establishment of a reciprocal climate of trust and respect is as important as the exchange of information and details about a specific business proposal.

Meetings are a way to get a deeper and common understanding of an issue rather than forming the conclusive part of a decision making process, so in this sense, they are more exploratory and analysis-oriented than decision-oriented.

Handshake is common in all business and social occasions. The handshake is firm but not too long. Upon introductions and departures, people shake hands individually with all members of a group.

In the case of a very friendly or family relationship, people may embrace and/or “kiss” on either cheek.

It is common that business meetings end with an invitation to eat out, typically in a carefully selected restaurant, as a way to socialize and establish a closer relationship.

According to circumstances and time constraints, the invitation might be either for lunch or, often preferably, for dinner.

According to Italian etiquette, the host always pays the bill. The person invited may offer to pay the bill but usually the host will decline.

Dressing formally is generally required, in particular for first meetings, to make a serious and positive impression. Italians give importance to visual appearances and are accustomed to very high quality clothing and accessories. Many of the greatest designers in the world are Italian. Dress and presentation plays an important role in Italian culture. Fashionable style is considered a sign of wealthy social status and success. Keep in mind that Italy is a major centre of European fashion design and production. Even casual clothes are smart and chic.

In Italian business culture, gift giving is not particularly common; only after a tried and trusted familiar relationship has been established, it might appear natural to give a small and not expensive gift as a sign of friendship.

A small gift may also be appropriate as a token of appreciation for Italian hospitality. In such a case, the choice of gift may include liquors, delicacies or crafts from the visitors’ country.

Italians have a great sense of humour and they are generally not easily offended and you can criticize them and joke with them indeed, your sense of humour may well be appreciated by Italians.

Different approaches to professional communication are just one of the innumerable differences in workplace norms from around the world. For instance, the formality of address is a big consideration when dealing with colleagues and business partners from different countries. The concept of punctuality can also differ between cultures in an international business environment. Different ideas of what constitutes being “on time” can often lead to misunderstandings or negative cultural perceptions. For example, where an American may arrive at a meeting a few minutes early, an Italian colleague may arrive several minutes — or more — after the scheduled start-time (and still be considered “on time”). Along with differences in etiquette, come differences in attitude, particularly towards things like workplace confrontation, rules and regulations, and assumed working hours. While some may consider working long hours a sign of commitment and achievement, others may consider these extra hours a demonstration of a lack of efficiency or the de-prioritization of essential family or personal time.

Punctuality is not a priority for Italians. Be patient and be prepared for some delay when you start working with a new Italian partner. In particular, do not take a small delay as a sign of lack of respect.

Interpersonal style

Your interpersonal style governs how you talk to others, how much personal space you expect when talking to a business colleague, how you feel about eye contact and how warmly you behave toward business partners. Social skills can make a big difference in business, and if a client is made uncomfortable by your interpersonal style, they might not want to hire you. In some cultures, it's rude to make direct eye contact, while in others, business partners stand very close to one another or only shake hands in a limited number of contexts. It might be inappropriate to ask personal questions about someone's family in the U.S., but in some cultures, it's expected that you'll inquire about a client's family.

Negotiations

In a study on international negotiations between organizations, Korobkin, R. (2000) maintains that successful negotiations not only require technical proficiency i.e. communication technique, but also needs to understand the context in which those negotiations are being done in order to secure profitable contracts.

The importance of cultural understanding in successful international companies is reflected on their marketing strategies which are grounded in the cultures of the target industries. Alternatively, a company with weak understanding of the target company's local culture can commit disastrous mistakes in developing the marketing strategy through designing advertisements which offend people because of culturally unacceptable content.

There are some aspects of culture that manifest themselves in a negotiation. Foreign partners not only speak a different language, but also have a tendency, for cultural reasons, to think in different ways and have different priorities in the way in which they do business. For example, some people prefer to do their business meetings with foreigners in a formal way, and would be offended to be addressed by their first name; some might believe that the use of an informal style and first name would signal to the partners that they are trusted. Two partners from these different cultural backgrounds could easily misunderstand each other if they negotiate without a previous knowledge of one another's assumptions and values.

Be prepared for lengthy negotiations with Italians. Often negotiations are conducted slowly, both because Italians tend to carefully evaluate advantages and risks, and because of the hierarchical decision-making process of Italian companies. Final decisions, due to rigid hierarchical management structures are centralized and taken by the chairman. This may also introduce sudden changes during negotiations. During negotiations, Italians give importance to verbal commitments and the final contract is certainly based on previous informal agreements.

The culture may affect the behaviour of individual managers and subordinates as they interact with others. This influences even the way employees view a manager, i.e. the content of the perceptions (leader, coach, and trainer) and also the structure (characteristics, behaviour and expectations). Some cultures are simple and others are complex in terms of the number of formal roles that managers and employees are expected to perform. In the case of large companies, they may tend to hire similar types of people worldwide, thereby reducing national differences. Also a company with such a strong organizational culture would have a levelling influence on employees' values that would further reduce national influences.

Education and social organization

Education refers to the transmission of skills, ideas and attitudes as well as training in particular disciplines. Education refers to the transmission of skills, ideas and attitudes as well as training in particular disciplines. Education can transmit cultural ideas or be used for practical purposes, for example the local university can analyze an economy's performance.

Social organization refers to the way people relate to each other, for example, extended families, units, kinship. In some countries kinship may be a tribe and so segmentation may have to be based on this. Other forms of groups may be religious or political, age, caste and so on. All these groups may affect the marketer in their planning.

Business Hierarchy

Not all cultures use a hierarchical business structure, with most rules coming from the top. You may be working with people who prefer a collaborative style or run a family business. Do not try to impose your approach to business leadership on members of a foreign culture. Instead, ask them how they prefer to make decisions and get information about which people you should contact with important information. Contacting the wrong person or excluding someone can alienate your customers.

With Italians it is important to be patient even when the timescale for conducting business is short, it is important to give time to your Italian partners. A sense of urgency is often taken as an attempt to weaken one's bargaining position. On the other hand, once the agreement has been reached, your Italian partner will be strongly convinced that he/she has made the best decision.

Conclusion

Understanding cultural differences represents one of key factors to consider in international business and marketing. Values, beliefs and attitudes in a particular country affect the behaviour of customers and all other stakeholders, such as employees, business partners and government authorities. Subtle verbal and even non-verbal communication may sometimes be very important during meetings and negotiations. The key to success lies not just in developed social skills but also in detailed studies of the counterparty's cultural characteristics.

When doing business in Italy, one should pay attention to cultural specifics of Italians in general, as well as differences between various parts of the country (e.g. north vs. south). Italians have a more easy-going attitude than most of the western world, which implies the need for a certain degree of patience when conducting business in Italy (even more so in the southern part of the country). Decision making in large Italian companies is usually complex (however it is less so in case of family-run businesses); therefore, time should be taken to understand the process and roles of decision makers. Italians are usually friendly and talkative, and communication may be enhanced by dedicating certain opening time to information communication (jokes, sports, fashion, etc.).

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EUROPEAN MANAGEMENT, BUSINESS, MARKETING AND TOURISM DEVELOPMENT WITH SPECIAL EMPHASIS ON CENTRAL AND SOUTH-EAST EUROPE

SESSION 2

Engineering Management, Information Technologies, Environmental Protection

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Relevant Specifics of Competitiveness, Economic Policy of the State and Business Policy of Companies from Central and Southeastern Europe

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Abstract

The competitiveness of nations / companies from Central and Southeastern Europe relates to their power to isolate themselves by exposing their unique resources (resources, capabilities, basic competencies) to the European market, in which they interact with other nations / companies.

The prior orientation of nations / companies from these areas to social / business values is the basis on which orientation towards European citizens / consumers is created, in order to create a concept of social-engagement engagement in order to achieve synergy, in the constellation of given orientations.

The competence of nations / companies, created on a reliable value basis, is a prerequisite for long-term, sustainable competitiveness and competitive advantages. Values are a critical factor in the success of competitiveness in the broadest sense of the word. Values focus and attack the attractive opportunities offered by the European (ie, the world) market. It is important for the nation / company to give a certain degree of flexibility, since the possibilities, as a rule, always contain some special features, that is, critical success factors.

Economic policy, embodied in industrial policy, monetary and fiscal policy, competition policy and regional government policy, and other political segments, has a strong impact on the business policy of companies and the development of their European business flows / most often through a price factor, on the one hand, and non- factors of development and business on a broader market basis, on the other hand. Economic policy must be adequate, because only in this way can it be possible to achieve the development dimensions of business policy, that is, the competitiveness of companies that have internationalized their business.

Business policy is the policy of business companies that is reflected in a set of organizational activities that need to be achieved in an efficient and effective way in order to achieve the intended business goal: growth, development, market participation, stakeholder satisfaction. The methodology used to achieve the goal of business policy is called strategy. The strategy creates the highest level of management of a business company, and its implementation is done through the organization.

Key Words: Competitiveness, Economic Policy, Business Policy

* * *

Introduction

Competitiveness, the economic policy of the nation (state) and business policy of the company are words that ring in the time of the present (2nd decade of the 21st century) to the European and global world.

Competitiveness shapes productive social dimensions. Productivity directs developmental orientations, leads to an increase in income levels, and income to an increase in living standards.

The economic policy of the nations is realized through the application of principles and guidelines that direct or restrict social activities in order to achieve the goals and developmental determinations of industrial policy, monetary and fiscal policy, competitiveness policy and regional policy.

The company's business policy, in line with the aforementioned economic policy, is achieved by applying the principles and guidelines that direct or restrict business activities in order to achieve goals that relate, in the first place, to the satisfaction of stakeholders (employees, shareholders, others) and the developmental effectiveness of companies.

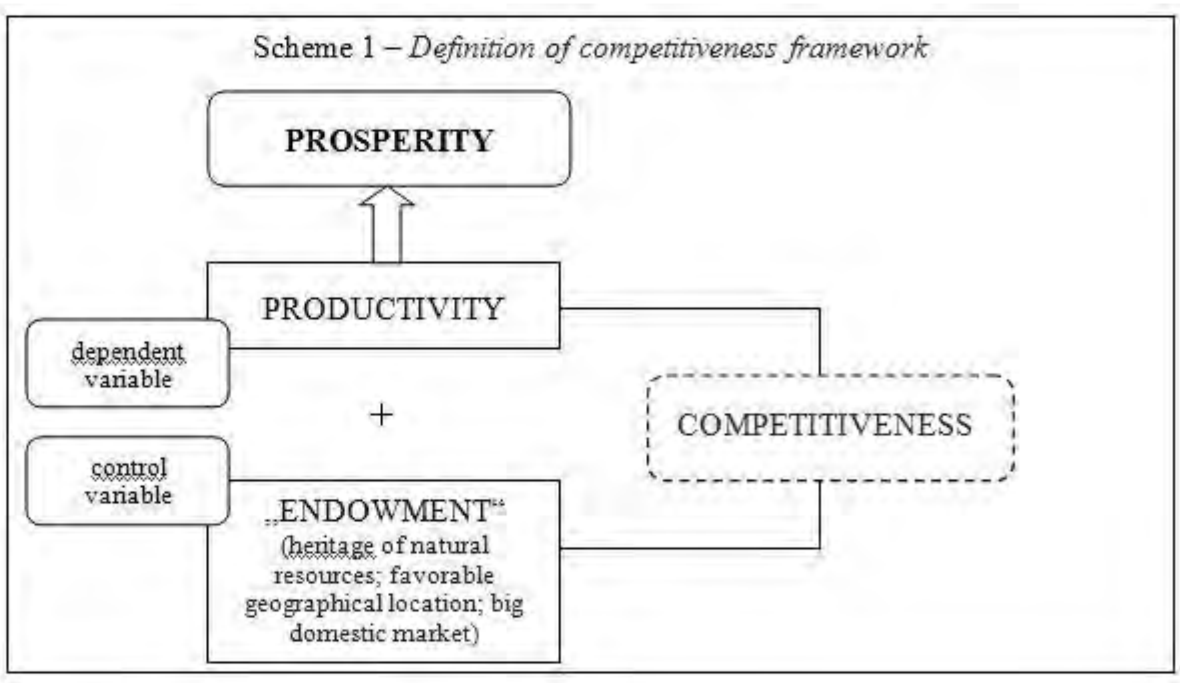
The specificity of competitiveness and the mentioned types of policies should always be considered in the context of the external environment (which produces chances and threats) and the internal environment (which produces advantages and disadvantages).

1. The development concept of competitiveness and its role in creating prosperity

Competitiveness is the ability of nations or companies to offer products that meet quality standards at the local, national and global markets at competitive prices. Competition can only arise and develop only in the context of the existence of an economy that brings together businesses with high performance efficiency, effectiveness and profitability, on the one hand, and the existence of a dominant structure that cultivates new ideas, that is, innovative approaches in their work and behavior, on the other hand.

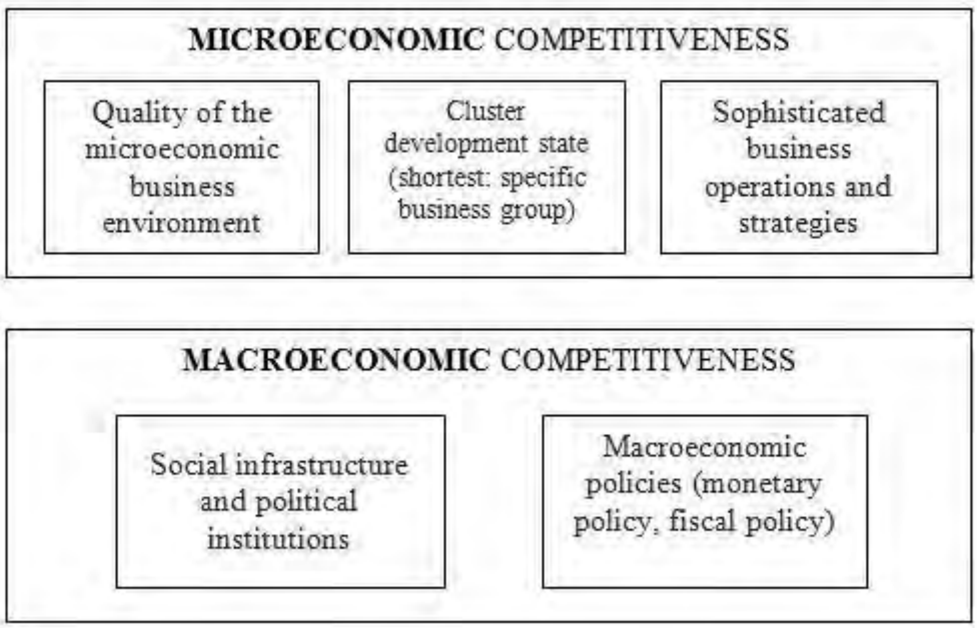
Only nations, or companies with advanced economies, can be labeled as competitive nations, or companies. An advanced economy is an economy that has strong strategic resources (which form a strong economic position) that can overcome all threats and, at the same time, seize all opportunities that emit a general and competitive environment.

Competitiveness was and will remain the venue of prosperity of every nation and every business company. The symbiosis of "endowment" and productivity constitutes a definitive framework of competitiveness leading to prosperity. It is important, in this constellation, to emphasize that the basis of productivity is the result of microeconomic and macroeconomic competitiveness.[1] (Scheme 1 and Scheme 2)



[1] Source: Porter E. Michael, Delgado Mercedes, Ketels Christian and Stern Scott, *Moving to a New Global Competitiveness Index*, Tge Global Competitiveness' Report 2008–2009, World Economic Forum 2008, p. 45. (The same source was used to present graphic representations: Schema 1 and Schema 2)

Scheme 2 – *The basis of productivity in the context of competitiveness*



Today, prosperity is synonymous with sustainability – the ability to continue in the long run with the creation of values (activities, performances) at a certain level, in a certain time and space, and that from an economic point of view does not mean devastation of the environment or exhaustion of natural resources. Prosperity is the environment in which macroeconomic indicators are in the socio–economic welfare zone: high growth rate, low inflation rate, low unemployment rate, budgetary position, low level of public and external debt, etc.

The reference point of systemic thinking of competitiveness in the microeconomic context is in the context of a competitive environment of a nation. Drawing on neither qualitative development, it expands its visibility beyond the national space. In accordance with this context, competitiveness is distinguished as a sui generis product of the competition policy which, as a segment of the so–called support policies (in addition to regional policy) – type of economic policy. Competitive competition takes place in a branch that includes groups of business companies that produce similar or interconnected goods. Hence, it is important to determine the true assessment of competition. The competence assessment mantra can be properly explained by creating a matrix in two dimensions: the first dimension refers to the situation expressed by the attitude of competition is possible (which is covered with the option and option is not), and the other dimension refers to the situation expressed by the attitude of competition is preferred (which is also covered with the option and option not). (Scheme 3)

Scheme 3 – *Competition assessment*

COMPETITION IS POSSIBLE	*Yes*	A NORMAL CASE (1)	REMOVING CREAM (2)
	No	PREVENTION OF ENTRY (3)	NATURAL MONOPOLY (4)
		Yes	*No*
		COMPETITION IS DESIRABLE	
Source: Begg David, Fischer Stanley и Dornbusch Rudiger, *Economics*, Data Status, Belgrade, 2008, page: 308.			

In Scheme 3, it is possible to identify four different situations (outcomes). Each of these situations produces certain specific features, which have their own explanations. In the **first** quadrant we have a guess that competition is both possible and desirable. The outcome is called: *A Normal Case*. This situation also means "that each company finds that their requested or offered quantities are very small compared to the market as a whole and assumes that the actions they take have no impact on the market price. Changes in market conditions equally apply to all companies and consumers, they change the equilibrium price, and hence the individual required quantities, but each consumer neglects any feedback from the market price to the actions he has taken."[2] In the **second** quadrant we have the situation that Competition is possible, but it is not desirable. The outcome is called "*Removing cream*". This situation implies that it is possible to enter other companies into profitable areas of business, but to offend (reduce) the economies of scale in other parts of the business system. In the **third** quadrant we have a situation that competition is not possible, but it is desirable. The outcome is called: *Prevention of entry*. This situation implies that there is a sufficiently powerful company in the market, but with a small economies of scale that is able to prevent entry if things are left to the market. Society would be more likely to be allowed to enter other companies than it would be to lose the existing economies of scale. In the **fourth** quadrant we have a situation where competition is not possible and, at the same time, when it is not even desirable. The outcome is called: *Natural Monopoly*. This situation implies the existence of a company that has a natural monopoly, which practically means that it has average costs that decline with an increase in output. It charges its products at a lower price than that charged by all smaller competitors, which means that it achieves such economies of scale not to be afraid of existing competitors but also from the entry of other participants.[3]

The dominant *activity* of competition policy should be to promote the company's rules of conduct on the market (aimed at preventing the abuse of monopoly positions), that is, the rules on the establishment and functioning of a market structure (aimed at preventing the emergence of monopolies).

[2] Source: Begg David, Fischer Stanley и Dornbusch Rudiger, *Economics*, Data Status, Belgrade, 2008, page: 121.
[3] Ibidem, page: 308.

Competition opens the space of the desire of a nation or a business company to be different, to be different from others, to be open in promoting the so–called. *systematic initiatives* through which the future can be fostered: consumption, digital economy and society, economic progress, education, energy, environment and security of natural resources, financial and monetary systems, food safety and agriculture, health, information and entertainment, international trade and investment , long–term investments, infrastructure and development, mobility and production.[4]

The development concept of competitiveness is represented by the relation: basic requirements (drivers of productivity and prosperity) → improvement of efficiency → innovation and sophistication.[5] Each of the constituent segments of the concept of competitiveness consists of at least two substantive components.

The basic requirements, as the first (starting part) constituent segment of the concept of competitiveness, comprise four components: institutions, infrastructure, macroeconomic environment and health and primary education. ***The basic requirements are the key to triggering the competitiveness factor***.

The institutions (public and private institutions), as a component of the basic requirements, should define in substance: the concept related to the protection of property, efficiency and transparency of public administration, independence of the judiciary, physical security, business ethics, and corporate control.

Infrastructure (transport infrastructure, energy infrastructure and telephony infrastructure), as a component of the basic requirements, should contain in substance the quality and availability of transport, electrical and communication infrastructure.

The macroeconomic environment, as a component of the basic requirements, should contain in substance the fiscal and monetary indicators, the savings rate and the rating of the nation. "An analysis of the macroeconomic environment serves to examine the situation in the national economy, in terms of favorable or unfavorable, as well as the trend of changes in terms of improvement, stability or deterioration ... Development trends in the macroeconomic environment can have three different impacts on the position of a business company (and hence and its competitiveness – M.Z. / N.N.): negative impact, in the context of threat; positive impact, in the context of the chances; and neutral impact".[6]

The Healthcare & Primary education, as a component of basic requirements, should contain in substance the state of public health, as well as the quality and quantity of elementary education.

Improving efficiency, as the second (middle part) constituent segment of the concept of competitiveness, contains six components: higher education and training, the efficiency of the commodity market, the development of the financial market, technological readiness, and the size of outlets. ***Improving efficiency is the key to driving efficiency***.

Higher education and training, as a component of efficiency improvements, should define content in terms of: the quality and quantity of higher education, and the quality and availability of training for performing appropriate (different) tasks and work tasks.

The efficiency of the commodity market, as a component of efficiency improvements, should define in substance: factors that influence the intensity of domestic and foreign association and require the existence of competitive conditions and the conditions of quality of demand.

The efficiency of the labor market, as a component of efficiency improvements, should contain in substance: efficiency and flexibility of the labor market, reliable execution of tasks, and efficient use of talents.

The development of the financial market, as a component of efficiency improvements, should contain in substance: efficiency, stability, reliability, and trust in financial and banking systems.

Technological readiness, as a component of efficiency improvements, should define in substance: adoption and use of information and communication technology by individuals and business companies.

The size of outlets, as a component of efficiency improvements, should contain the following: the size of the domestic and the size of the foreign market.

[4] Source: https://www.weforum.org/system–initiatives. The site was accessed on October 4, 2017.

[5] Source: https://www.weforum.org/agenda/2016/09/what–is–competitiveness/. The site was accessed on October 4, 2017.

[6] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, *Management and Strategy*, Issue 11, Publishing Center of the Faculty of Economics, Belgrade, 2016, page: 328.

The innovation and sophistication, as the third (final part) constituent segment of the concept of competitiveness, contains two components: innovation and business sophistication. ***The innovation and sophistication are the key to launching economic innovations***.

The innovation, as a component of innovation and sophistication, should define in substance: capacity and commitment to technological innovations.

The business sophistication, as a component of efficiency improvements, should contain in substance: the efficiency and sophistication of business processes in the country.

The focus on competitiveness, more precisely on the development of competitiveness, often avoids the full attention of nations and business companies precisely because competitiveness is influenced by a large number of variables (in the previous textual content we listed 12 so–called reference points of competitiveness deployed in three key groups). The real challenge for both nations and business companies is identifying those areas of social and business structure where productivity can be further increased.

Qualitative thinking of competitiveness can not be achieved by the elementary analysis of the global competitiveness index [7] which is a true indicator of competitiveness. The reason for this is that it incorporates all relevant factors that, in one way or another, influence the formation of the conceptual basis of competitiveness.

The two key components of the global competitiveness index are: microeconomic competitiveness (including: operations and strategies of business companies and the national business environment) and macroeconomic competitiveness (including: social structures and political institutions and macroeconomic policy).

The Global Competitiveness Index generates competitiveness in 130 countries of the Council (of which: 33 highly developed countries, 17 medium–sized countries, and 80 low–lying countries).[8] The new global index of competitiveness is an expression of the desire of economic experts to achieve excellence in the domain of the methodology of obtaining data on the competitiveness of the nations / business companies of the Council. The Global Competitiveness Index meets the highest standards of academic research, but also serves as a reliable basis for practitioners in quite specific social and business structures. Analysis of the data that comprise the components (parameters) of the global competitiveness index allows not only the creation of the possibility that existing knowledge (insights) related to the causes of competitiveness not only extend but also deepen.[9]

The European and world environment (general and competitive) is an environment of frequent and radical changes. Hence, in studying the problem of competitiveness, it is relevant to study with the right measure the already mentioned three constituent segments of competitiveness (basic requirements, efficiency and innovation, and sophistication) and manipulate (in positive connotation) with the global competitiveness index. However, some experts believe that the contribution to the development of this topic and "the setting of non–standard questions whose answers usually lead to the consideration of the possibility of discontinuity"[10] which, to a greater or lesser extent, can impair the competitiveness fluctuation (the conditions that make the social / business engagement of the nation / business company more successful than the others that compete).

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[7] The global competitiveness index was designed by Klaus Schwab in 1979. In 2005, the *World Economic Forum* published a *new global competitiveness index* that integrates macroeconomic and microeconomic aspects of competitiveness into a single index. The index combines 114 indicators that include concepts that are important for productivity. They have different weights (weighted values) in calculating the total index, depending on the degree of development of each economy, in relation to their gross national product per capita and the share of exports representing raw materials.
The most competitive countries in the world (the top five) are, according to the new competitiveness index, the following: Switzerland (competitiveness index 5.86); USA (Competitiveness Index 5.85); Singapore (competitiveness index 5.71); Netherlands (Competitiveness Index 5.66); and Germany (Competitiveness Index 5.65). Source: https://en.wikipedia.org/wiki/Global_Competitiveness_Report. The site was accessed on October 4, 2017.

[8] Source: See footnote number 1. The context of this footnote is adapted according to the text of the above article on pages: 55–56.

[9] Source: Ibidem, p. 59; adapted.

[10] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, Opus citatum, page: 329. The author C. Prahalad cites the main discontinuities in today's environment: globalization, deregulation and privatization, the variability of different technologies, the fluidity between branches, standardization of business, reduction in the number of distributors in distribution, and the growth of eco–sensitivity of business companies. Source: Ibidem.

2. The conceptual framework and specifics of the economic policy of the nations

The developmental force and the undeniable factor of strengthening the competitiveness of nations is economic policy. Economic policy is defined as directing the economic activity of the participants in the economic life in order to achieve goals that can be characterized as: economic growth and development, macroeconomic equilibrium, higher level of employment, foreign trade balance, elimination of excessive regional and regional disparities in development, social grievances and social justice, etc.[11]

The economic policy sphere is macroeconomic relations to analyze the interaction of the wider sectors of society and economy, unlike the microeconomic sphere, which refers to a detailed analysis of certain economic activities.[12] In order to monitor the functioning of all economic factors, economic policy should use adequate macroeconomic models, which are, as a rule, supported by adequate data.[13] The preceding text points to the fact that economic policy can not be managed sectorally because the basic macroeconomic aggregates [14] at the same time determining as price variables (interest rates, exchange rate) both in the real, as well as in the monetary and the external sector, and in the financial market.

The new concept of economic policy should focus on a) *industrial policy* (aimed at increasing the production of interchangeable products, which at the same time add to the reduction of imports and export growth, and the backbone – sectors with *comparative advantages* and sectors with *competitive advantages*), which cooperates with *economic development strategy* (includes: strategic goals, vision of development, institutional settings and regulatory framework); b) *macroeconomic policies* – monetary and fiscal policy (aiming at macroeconomic stability and stability of the financial system, ie securing public sector financing, optimal tax policy and ensuring budget discipline); and c) *politique of support – competition policy* (aimed at neutralizing negative market relations that can significantly reduce competition) and *regional policy* (the goal of which is to lead an adequate population policy, infrastructure development and cluster development).[15]

The economic policy in order to strengthen the competitiveness of products and business companies should strive to achieve both internal and external equilibrium. The long–term economic equilibrium represents simultaneous internal and external equilibrium of demand and supply. (The economy is in the state of *internal* equilibrium when the aggregate demand is equal to the possible output of business companies, and that there is full employment in the labor market. The economy is in the state of *external* equilibrium when it has a zero value of surplus / higher inflows from the outflow of assets / and deficits / greater outflow from inflows / balance of payments / showing transactions between one country and other countries of the Council /).

The economic policy will ensure long–term affirmation of the creation of the competitiveness of the economy, ie business companies, only by its stability, or by incorporating the ability of strategic maneuvering within an environment that is changing.

[11]Source: Đukić Petar, *Economic Policy and Social Objectives*: *Stability*, *Development* and *Reforms*, Proceedings: Economic Policy Between Stabilization and Growth, Volume 3, Faculty of Economics, Belgrade, 1997, page: 12; adapted.

[12] The context of this consideration can be supported by the appropriate indicative case. We can compare the microeconomic sphere with the observation of the horse race through binoculars. Then every detail of the race is better seen. We can compare the macroeconomic sphere with the observation of the horse market with the naked eye. Then some details of the race were blurred, but we have a clearer picture of the entire race. It is more likely to see a horse that is rapidly reaching the leading position. Source: Begg David, Fischer Stanley и Dornbusch Rudiger, Opus citatum, page: 335; adapted.

[13] Interweaving models and data is a kind of constant in the study of economic relations. Hence, their precise definition must be made. "The *model* represents a simplified framework of reality that helps to systematize the way of thinking about the problem. The *data* or *facts* are essential for two reasons. They point to relationships that need to be explained and enable hypotheses to be tested as well as to determine the impacts on which they indicate. " Source: Begg David, Fischer Stanley и Dornbusch Rudiger, Opus citatum, page: 28.

[14] The aggregates are complex macroeconomic categories (composed of multiple components). Thus, we face an aggregate demand that is expressed by the amount that business companies plan to spend at every level of income; an aggregate offer that is expressed by the amount of output that business companies want to offer at each inflation rate; an aggregate price level that expresses the average level of product prices.

[15] Read more: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Djordje, Opus citatum, prages: 346–350.

3. The conceptual framework and specific business policy of companies

Business policy is a wider statement adopted by the top management team of a business company – a statement that defines the description of the company's pricipal and business guidelines and the goals that the company wants to achieve

Business policy should be a kind of orientation towards establishing a successful flow of competitive business. The viability of competitive business is the result of establishing a symbiosis of "creating a very specific type of distinct competence; the growth of perceived value (or customer knowledge); achieving operational excellence; and responsible attitude towards the environment"[16]

The business policy objectives must be set according to the perspectives that describe the most important aspects of the company's business:

1. The **marketing perspective** (which points out as the target question of its content determining: How do final consumers and industrial customers need to see us as the target of achieving synergy marketing: How to create a unique platform for customer relationships in order to increase the total value for them?);
2. The **financial perspectives** (which emphasizes the target issue of your content definition: How do we relate to the interests of the owner in terms of preserving and increasing capital as a target of achieving financial synergy: How to increase the value for shareholders based on the structure of the business portfolio?);
3. The **internal perspective** (which points out as a targeted question of its content determining: What and how to specialize as a targeted question of achieving synergy of internal processes: How to manage the processes of business units, with this leading to economies of scale or the integration of the value chain?);
4. The **development perspectives** (which points out as a targeted question of its content determination: What knowledge is needed to achieve a vision as the target of achieving developmental synergy: How to develop and share our intangible assets?).[17]

A key objective function of a business policy should be to strive to achieve a competitive advantage. In accordance with this setting, the management team of a business firm should focus on achieving knowledge of "the size of the competitive advantage that can be achieved with respect to other competitors on the one hand and the number of ways to achieve a competitive advantage on the other."[18] A graphical explanation of the above statement can be presented with a matrix view. (Scheme 4)

Sheme 4 – *Correlative relations of possibilities and size of competitive advantage*

THE NUMBER OF POSSIBILITIES FOR EXERCISING COMPETITIVE ADVANTAGES	*Much*	THE FRAGMETATION (1)	THE SPECIALIZATION (2)
	A little	THE PAT POZITION (3)	THE VOLUME (4)
		Small	*A big*
		SIZE OF COMPETITIVE ADVANTAGES	

Извор: McNamee P. B., *Tools and Techniques for Strategic Management*, Pergamon Press, Oxford, 1985, pp. 132–133 & George S. and Weimerskirch A., *Total Quality Management*, John Wiley Sons, New York, 1994, pp. 151–152; adapted.

[16] Source: Đuričin N. Dragan, Janošević V. Stevo and Kaličanin M. Đorđe, Opus citatum, page: 625; adapted.
[17] Source: Kaplan R.S. and Anderson R, *Time Driven Activty Based Costing*: *A simplier and More Powerful Path to Higher Profits*, Harward Business School Publishing Corporation, Boston, USA, 2014, p. 72; adapted.
[18] Source: Đuričin N. Dragan, Janošević V. Stevo and Kaličanin M. Đorđe, Opus citatum, pages: 346–350; adapted.

In Scheme 4, it is possible to identify four different situations (outcomes). Each of these situations *produces* certain specific features, which have their own explanations. In the **first** quadrant, we have a sense that the management team of a business company achieves a small competitive advantage with its portfolio of business, with a high percentage of market participation (a large number of options). The outcome is called: *Fragmentation*. In the **second** quadrant we have the situation that the management team of a business company with its portfolio of business achieves a great competitive advantage with a high percentage of market participation (a large number of possibilities). The outcome is called: *Specialization*.The competitive advantage is achieved on the basis of lower costs and on the basis of differentiation. In the **third** quadrant we have the situation that the management team of the business company achieves a small competitive advantage with its portfolio of operations, with a low percentage of market participation (few opportunities). The outcome is called: *Pat position*. In the **fourth** quadrant we have the situation that the management team of a business company with its portfolio of business achieves a great competitive advantage, with a low percentage of market participation (few opportunities). The outcome is called: *Volume*. The competitive advantage is achieved on the basis of lower costs.

Business policy should be the policy of strategic choices. It must promote a focus on creating value with high effects through which a competitive advantage can be achieved, *winning aspiration*. The winning aspiration, presented by the views on the ideal future, "relates to the dominant (or respectable) market share in the selected market, the absolute level of sales, the level of created value for the owners and a certain level of credit rating".[19] The basic message of business policy should be followed by the fluid statement of the gurus of modern management *Peter Draker* that the business purpose is "buying buyers instead of selling products", and that it should be the outcome of creation "of unique value that is on the line of creating sustainable competitive advantage and superior value in relation to competitors".[20]

Conclusion

The competitiveness, the economic policy of nations and the business policy of companies from Central and Southeastern Europe should be a platform that creates long-term value for all stakeholders. Value creation is always in function of development. Competitiveness of great power, as well as successfully structured and guided economic policies of nations and business policies of companies, generate protection from uncertainty. Their temporal perspective should be related to the aspiration towards achieving sustainability, developing characteristic uniqueness that can be applied in different situations. Sustainability has its own reference point. These are *innovations*. Benefits of these are numerous: improved productivity and cost reduction; better quality /reliability, superior output/; solving legal and environmental challenges; improved staff retention, greater motivation and loyalty; add more value to consumers; etc.

The competitiveness, economic and business policy must respond effectively to the demands posed by the European, or the global environment. Reacting involves continuous work on the introduction of new information and communication technologies, as well as an adequate understanding of marketing, human resources management and finances, and their continuous upgrading over time. Economic policies of the nations and business policies of companies must support competitiveness with their coherent strategies whose translation into success depends largely on properly structured relations between the governments of the nations and business companies from the mentioned area.

[19] Source: Đuričin N. Dragan, Janošević V. Stevo and Kaličanin M. Đorđe, Opus citatum, page: 430.

[20] Source: Lafley A. Martin R, *Play to Win*: *How Strategy Really Works*, Harvard School of Business Press, Boston USA, 2013, p. 3.

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Possibilities and Limitations of the Development Process of Human Resources Management in the Environmental Protection System in Central and Southeastern Europe

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Abstract

Human Resource Management in any form of social organization in Central and Southeastern Europe is a complex task, as it is almost always raised issues of compliance and cohesion of employees, their behavior, knowledge, creativity and will, on the one hand, and organizations as a system of operations, тhe way it limits and inhibits the role and individuality of employees, on the other hand. The above items point to the complexity of the development of such a relationship due to its interdisciplinary character.

The development capabilities of human resources management in environmental protection in this European area are reflected in: *human potentials* (knowledge, abilities, skills, culture, ethics, social responsibility) in *additional ecological education* (ecological knowledge within the teaching and supplementary contents of school and preschool education, as well as training of employees in cities / urban areas); *social information of the population* of cities / urban areas in the field of ecology; and, the *development of environmental awareness of the population* as the strongest source of ecological capital and the bearer of modern development trends in environmental protection.

The paper also discusses and presents an alternative strategy for the preservation of the environment. In accordance with the new one, presentations are appropriate for the tactics of cities / urban areas for the protection of the environment and the environment as a condition for sustainability of the economic and social life of people.

Key Words: Development Process, Human Resources Management, Enironmental Protection System

* * *

Introduction

In order to successfully create a development process for environmental protection of social institutions (ministries, agencies, local self–governments) and business services from Central and Southeastern Europe, there is a basis for the existence of a human resource sector, that is human resources management, a team of professionals whose main goal should be: improvement of the quality of the environment, protection of human health, wise and rational use of natural resources and development of European measures for solving the challenges in the environmental protection system".[1]

Realizing the development priorities of environmental protection, the manager of human resources becomes a factor in ensuring the synergy and harmonization of the development policies of social institutions and business companies, the factor that "provides equal conditions for all activities and overcoming the obstacles posed before these activities in the European social and business area, taking into account the importance of environmental regulations.“[2]

The above mentioned reflection points to the need to link the human resources management strategy to the environmental strategy, highlighting the increased responsibility of human resources management in terms of the efficiency of natural resources[3] and protection of biodiversity[4] (through the contribution of the

[1] Source: *Explained European Union*: *Environment*, European Commission, European Union Publications Office, Luxembourg, 2014, page: 3.

[2] Ibidem.

[3] "The resource efficiency aims to separate the growth of the economy from the use of resources. It encourages the economy to create less with less, creating greater value with less investment, using resources in a sustainable way and minimizing their environmental impact." Source: *Explained European Union*: *Environment*, European Commission, European Union Publications Office, Luxembourg, 2014, page: 3.

pan–European ecological network Natura 2000[5]), but also on other environmental issues, such as: chemicals; waste; air; water; noise; forests; land.

The competence of human resources management in the context of innovative human resource activities in the environmental protection system should be based on: "(1) demonstrating its own flexibility and the willingness of human resources management to change, i.e. to develop its own process forms; to innovate and cooperate directly with employees with the purpose of defining a new business future for environmental protection (with the support of environmental engineering; (2) effective ways of evaluating new approaches in human resource management, learning lessons and spreading a good way of working; and (3) an effort to ensure that all high–quality instances of innovation and learning evidence are simplified in segments of the environmental protection system."[6]

1. Human resources management as a strategic resource in the environmental protection system

Human resources management, in the environmental protection system, is recognized as a strategic resource if it continuously expands the innovation energy in the treatment of environmental protection rules, methods and procedures, and if they have a strategic approach to the anticipated protection objectives.

Strategic behavior of human resources management must be supported by controllability and flexibility. Controllability refers to the ability of human resources management to control its intentions in the process of environmental protection. Flexibility refers to the ability of human resources management to avoid threats decisively and with a minimum of costs and to take advantage of opportunities related to the process of environmental protection.

The true value of the strategic behavior of human resources management in the environmental protection system is expressed by an optimal combination of control and flexibility. By attracting, improving and retaining professional employees through qualitative business procedures – human resources management, they have the opportunity to develop and establish an adequate structure of goals that

[4] Biodiversity is a "term used to highlight the richness of the world with all its species and genetic diversity." "Biodiversity and ecosystems are important in themselves, but they also ensure the healthy flow of goods, especially food, fiber, fuel and drugs and basic services such as climate regulation, flood prevention, water purification, pollination and soil formation. They are all necessary for economic progress, safety, health and quality of life. Ibidem, page: 10.

[5] "Recognizing the fact that nature does not respect the state border, the European Union has strong regulations for nature protection. The highlight was the creation of Natura 2000, a pan–European ecological network of areas, designed to protect species and habitats in their natural environment. It has over 26,000 locations and is one of the largest in the world. Now virtually complete, it covers almost 18% of the territory of the European Union – an area of the size equal to Germany, Poland and the Czech Republic together."Ibidem, страна: 11.

[6] Source: Handbook for Strengthening Local Government Capacity through the Management Development Program, European Union European Agency for Reconstruction & Standing Conference of Towns and Municipalities & Council of Europe, Belgrade, 2008, pages: 29–30, 33; adapted.

should be achieved on a valid basis, in accordance with the consistent application of the principles of environmental policy: the principle of sustainable development; the principle of preserving natural values; the polluter pays principle; the user pays principle; the principle of shared responsibility; the principle of prevention and precaution; principles of raising awareness about the importance of environmental protection; and others.

Human resources management must, through the phase segments of the process of attracting professional employees, training of professional employees and retention of professional employees, influence primarily the protection and establishment of continuity of protection of existing environmental values. Why? Because overcoming the negative state of the environment, at the same time, the onset and development of their new, positive state. Strategically, in a strictly economic sense, we can express this as an increase in return on investment that exceeds the cost of capital. The cycle of creating the value of the environment has only one outcome – creating a discharge cycle of this value, which practically means a healthier, sustainable budget for the people of the social communities of Central and Southeastern Europe.

Strategic performance of human resources management results in full harmonization of individual, group and organizational goals in the environmental protection system. Originally, the performance is linked to the mastering and implementation of legal, economic and institutional activities of environmental protection. The listed activities should be considered in harmony with an adequate development policy in the field of environmental protection in order to translate their existing performances into new quality.

2. Specificity of the development process of human resources management in the environmental protection system

The development process of human resources management in the environmental protection system should be established as a backbone for the application of developmental components of the environment that are related to strategic thinking of the sphere of natural resources, environmental risk factors and the impact of economic sectors on the environment. In that sense, it is possible to put a clear focus on the possibilities and limitations of human resources.

Human resources *capabilities* are becoming apparent in the context of the design and implementation of strategic human resources options presented through: "Establishing high–quality human resources teams that have a clear vision and motives for enhancing the value of environmental protection; adequate timing related to entering the environmental protection system; Leadership in innovation related to prevention and risk reduction in the environmental protection system; the consistency ensured by investments in material assets (primarily renewable resources) and intangible assets (primarily the further development of knowledge and capabilities of human resources); operational elasticity in taking strategic steps related to environmental protection; and willingness to surprise when taking the steps outlined above."[7]

Human resource *constraints* arise according to the existence of various types of pressures (expressed as a result of the negative effect of economic activities – industry, agriculture – such as: increasing the concentration of artificial fertilizers and their components in the soil, industrialization of urban areas, etc.); the current state of the environment (expressed through, for example, deterioration of air quality, soil, water, and other); impacts (expressed through, for example, fragmentation of space, loss of biodiversity, and other); etc.[8]

Possibilities and constraints with their content determinants design the role of human resources with its narrow context (qualitative development of the human resources position) and its broader context (qualitative contribution to the realization of vision, strategy and communication).

[7] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, *Management and Strategy*, University of Belgrade – Faculty of Economics – Center for Publishing, Belgrade, 2016, page: 271; adapted.

[8] Source: Mihailov N. Anđelka, *Fundamentals of Analytical Instruments in the Environment*, Ministry of Science and Technological Development of the Republic of Serbia, Belgrade, 2009, page: n.n.

The role of human resources in a narrow context is achieved through: a) establishing the continuity of the process of attracting, developing and retaining quality employees; b) the application of effective measures to achieve employee discipline and fostering career advancement; and c) giving responsibilities to managers and environmental analysts, where appropriate, and giving support to innovation.

The role of human resources management in a wider context is achieved through: a) making a realistic vision of environmental protection in cooperation with the local population and local organizations, establishing a balance between the need for protection in the short and long term; b) the adoption of a local environmental strategy, with adequate information to the public, encouraging inactive actors to make their contribution to the development of the strategy; v) information reaching all groups in all social institutions and business companies that have their share in environmental protection, while maintaining a constant constructive dialogue with them; and g) up–to-date information of the employees and the local population about the policy of environmental protection and the success of the work in the process of protection and consultation with them regarding further protection plans.

It is relevant, in the given constellation, to highlight the knowledge that the pervasiveness of the development process of human resources management requires the establishment of a new way of doing business, a way that leads to a high individual, high team (team) and high organizational performance. For the human resources of the aforementioned organizational structures, ownership and sustainability of knowledge is relevant, because strategic thinking does not exist without the application of knowledge management. Knowledge management is a factor that promotes the need for employees: incorporate their expertise and readiness to build business efficiency and effectiveness into the concept of a sustainable system of protection of life; and convert their skills (b) into powerful strategic tools that print the desired success lines.

Previous settings indicate that human resources management must continuously be looking for optimal business practices (the so–called best practice). The wisdom of Henry Ford's remark should follow from his book My Life and Work: "In principle, every job can work better than it has done so far; faith is the result of something we hope, a testimony of what we have not seen before"). Optimal business practice, based on knowledge and best practices of others, results of positive impact on human resources, and thus creates a basis for creating a human resource management model based on the symbiosis of qualitative outcomes of the human resources management process and qualitative outcomes of the process of environmental engineering.

3. The use of human resources management in the development of an environmental strategy and sectoral strategies

Human resource management drives performance, creates a concept (strategy), finds tangible and intangible resources and creates value in various domains of its engagement today, especially within the framework of the environmental protection system. These activities make sense only if they come out of a real diagnosis of the condition. Human Resource Management in the process of formulating an environmental strategy and sectoral strategies must have "a strategic ingenuity to formulate in a genuine and comprehensible way a feasible and lucrative formula and be effectively applied using a conceptual framework that provides both strategic management"[9],as well as environmental management. The result of this strategic option that practically generates the strength of the environmental commitment of human resources management can be represented by a matrix representation that offers four solutions that emerge from the relative context of sustainability of the environmental segments / which ipso facto includes a protection system / (which can be high and low) and differentiation of ecological attribute (which can also be high and low). Solutions are presented as: defensive green (1st quadrant); light green (2nd quadrant); dark green (3rd quadrant); and, Extremely Green (4th quadrant) (Green is taken as the basis because this color symbolizes ecological, sustainable, civilization).[10](Sheme 1)

Sheme 1 – *Strategic options for human resources management as an expression of its ecological commitment*

SUSTAINABILITY OF ENVIRONMENTAL SEGMENTS (biodiversity, natural resources, renewable energy sources, water, others)	**HIGH**	1. quadrant **DEFENSIVE GREEN**	4. quadrant **EXTREME GREEN**
	LOW	2. quadrant **BRIGHT GREEN**	3. quadrant **DARK GREEN**
Source: Ginsberg J. M. & Bloom P. N., *Choosing the right green marketing strategy*, MIT Sloan Management Review, 46 (1), 2004, pp. 79–84. // Dašić dr Goran and Anufrijev Ana Ana, *Environmental Marketing Concept – Possibility of Sustainable Development in Crisis Conditions*, Ecologica, No. 66, Scientific–Professional Society for the Environment of Serbia "Ecologica", Belgrade, 2012, pages: 190–190. // Own conceptual thinking of the given topic – N.N. / M.Z.//		**HIGH**	**LOW**
		DIFFERENTIATION OF ECOLOGICAL ATRIBUTES (ecological awareness, low percentage of pollution of the environment, healthy water and food, existence of renewable energy sources, other attributes)	

[9] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, *Management and Strategy*, University of Belgrade – Faculty of Economics – Center for Publishing, Belgrade, 2016, page: 266; adapted.

[10] Source: Dašić dr Goran and Anufrijev Ana Ana, *Environmental Marketing Concept – Possibility of Sustainable Development in Crisis Conditions*, Ecologica, No. 66, Scientific–Professional Society for the Environment of Serbia "Ecologica", Belgrade, 2012, pages: 190–190.

Concretization of the meaning of the first quadrant. If the sustainability of the environmental segments is high and the differentiation of environmental attributes is also high, the values of the strength of human resource management in the ecological context are in the zone defensively green (which means that the management maintains the existing green segment with the appropriate integration of environmental standards into its own business focus, and the differentiation of environmental attributes promotes product characteristics related to environmental sustainability as the underlying benefit).

Concretization of the meaning of the second quadrant. If the sustainability of the environmental segments is low and the differentiation of the environmental attributes is high, the valuable features of the human resources management power in the ecological context are in the green light (which means that management using this strategy solution conditionally loses the sustainability of the existing green segment, but seeks to reduce cost and increase the efficiency of the activities in the environmental process, and by differentiating environmental attributes promotes product characteristics related to environmental sustainability as an adec atnu benefit).

Concretization of the meaning of the third quadrant. If the sustainability of the environmental segments is low and the differentiation of environmental attributes is also low, the values of the strength of human resource management in an ecological context are found in the dark green zone (which means that management using this strategy solution conditionally loses the sustainability of the existing green segment, it does not give up its possibilities of so–called greening of environmental segments, while differentiating environmental attributes promotes product characteristics related to environmental sustainability as secondary benefit).

Concretization of the meaning of the fourth quadrant. If the sustainability of the environmental segments is high and the differentiation of environmental attributes is low, the values of the strength of human resource management in the ecological context are in the extremely extreme zone (which means that the management maintains the existing green segment with the full integration of environmental standards into its business by applying this strategy solution focus, and the differentiation of environmental attributes promotes product characteristics related to environmental sustainability as a primary benefit).

Experience shows that long–term value oriented environmental sectors invest more intensively, increase their number of jobs, develop incentive reward schemes for employees, have over–investment in research and development, do not transfer risk to partners, provide the highest possible level of customer satisfaction and take a much higher level of social responsibility guided by short–term performance based performance metrics."[11]

The basic sectors in the field of environmental protection, which define their sectoral development position with their content of activities, i.e. For the development of an appropriate strategy, they are: the horizontal sector; sector of air quality and climate change; industrial pollution and noise sector; nature protection sector; sector of chemicals and genetically modified organisms; water sector; and the waste sector.

Outputs of Strategic Options Human Resource Management for these sectors are related to: structuring an adequate environmental impact assessment (1); Strategic assessment of the environmental impact (2); access to information (3); optimizing the sustainability performance in the context: stopping the loss of biodiversity, or geodiversity (4); increasing the area of protected natural assets (5); identifying quite specific, relevant aspects for the successful implementation of strategic dispositions of waste management (6); etc.

[11] Source: Đuričin N. Dragan, Janošević V. Stevo and Kalichinin M. Đorđe, *Management and Strategy*, Issue 11, Center for Publishing Activities at the Faculty of Economics, Belgrade, 2016, page: 266.

4. Correlation context of human resources management and environmental engineering

Business excellence emphasizes the need for human resources management to use and apply knowledge that is a product of ecological (re) engineering in its positive practice. Knowledge is associated, for example, with the development of low–cost technologies, optimization of production and design of closed cycles, recycling of industrial products and packaging, and more. In other words, environmental (re) engineering, by providing alternative solutions in line with the concept of sustainable development of the environmental system, can contribute to the management of human resources recognizing the importance of using new (clean) technology and new concepts of environmental protection with different values in focus.

Previous premises indicate the need for human resource management to adopt and implement in its practice an ecological educational fluid, that is, become committed to the development of ecological education of employees. Ecological education is embedded in the existing competence of employees. In this way, they expand their expertise. The value they gain by adopting ecological knowledge increases their ability to influence the environmental protection plan. Ecological education raises the ecological awareness of employees; ecological awareness becomes an equal element that every employee enters into the work process (in addition to intelligence, energy, enthusiasm, experience, skills).

The realization of ecological educational fluid can be carried out: a) professional development of human resources that are drivers, bearers and motivators of the environmental protection process at the level of social institutions and business companies; b) additional education (formal and informal) of younger and older groups of employees; and c) permanent public information of stakeholders on environmental protection.

Conclusion

The environment in Central and Southeastern Europe is more than ever in the past, very vulnerable. This vulnerability is a consequence of the social challenges that cover this space (and not only that) such as: the explosion of technological innovations, globalization of markets and competition, deregulation, change in demographic characteristics, new political divisions and processes. These challenges also condition the new role and importance of human resources management to, by their strategic actions, lead to a reduction of uncertainty, on the one hand, ie, raising the level of sustainability of social and business flows, on the other.

Environmental protection as a condition of sustainability of economic and social life of people in a given area should be the basic strategic determination of human resources management in the portfolio of overall social and business sustainability. This protection of the social institution and business can be achieved by the strict application of an ecological concept that combines the stated social needs with "systemic creation of new possibilities that would lead to a stronger economic recovery in the short run with the introduction of new, ecologically acceptable sources of economic growth in the long run."[12] The application of this conceptual ecological concept implies constant strengthening of the human resource capacities and management of human resources of the above mentioned organizational units, capable of creating high-impact effects in the domain of management, community engagement and services. In other words, to create an environmental policy through the use of the market (for example, introducing taxes and subsidies that can be used as incentives), encouraging eco-innovation and raising awareness of the need for environmental protection.[13]

Human resources management is a critical factor in formulating and implementing strategic options in the domain of legal, economic, social and institutional regulations. It represents the power that connects, or needs to connect the environment with the legal, economic, ecological and institutional flows of social and business entities. The strategic role of human resources in the context of the vision and strategy of these entities is achieved through the development and application of competencies that enable the creation of a realistic vision and the creation of realistic strategies in order to achieve a vision that focuses on sustainable development and environmental protection.

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[12] Source: Mihailov Anđelka and other authors, *The Need for Greening the Economy in Serbia*, Review Scientific Paper, Ministry of Science and Technological Development of the Republic of Serbia, Belgrade, 2010.

[13] Customized to: *Explained European Union*: *Environment*, European Commission, European Union Publications Office, Luxembourg, 2014.

Human Resources Management must create a system that enables a clear evaluation of employees; work on sustainable employee dedication; and efficient work with employees to ensure their personal contribution to the successful implementation of the vision, policy and program of work of social institutions or business companies, with an exceptional focus on achieving quality standards related to sustainable development and environmental protection. The assumed possibility of achieving the scope of work of human resources management requires: "establishing a sustainable process of attracting, developing and retaining quality employees; a clear mechanism for recognizing the success of individuals, groups and teams; exchange of information on good business practice; establishing a healthy culture of work;"etc.[14]

[14] Source: *Handbook for Strengthening Local Government Capacity through the Management Development Program*, European Union European Agency for Reconstruction & Standing Conference of Towns and Municipalities & Council of Europe, Belgrade, 2008, page: 30; adapted.

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Performance of European Economy in the Context of Global Business Environment

Univ. Prof. Dr. Miodrag Nikolić

Abstract

The development processes in the European business environment in the late 20th and early in the 21st century in the real sector, communications, trade, flows of direct and portfolio investments and in the woes of the European financial system, conditioned the transformation of the European economic system into a unique - *European economy*, with the capacity for self-development, self-reproduction, and also with the characteristic of sustainability.

The European Economic Area is becoming a very specific field of entrepreneurship, when the geographical distribution of productive forces, structures of industrial investments (the structure of placement by sectors), production, and sales make up not only a certain level of internationalization of the reproduction process, but its higher phase - globalization.

Special attention in this paper is devoted to *the process of cyclical development* of the European economy. In the era of globalization, it increasingly determines the development of national economic systems, primarily the economies of the European Union member states (hereinafter: member state) high degree of openness, the developed market of funds, dependence on the foreign trade component of the economy.

The integrity of the European economy existence and development suggests the mutual economic interaction on a sustainable level. The basis is the international and national (within the member states) production of material and other goods, their distribution and consumption.

Key Words: European Economy, the European Union, Global Business Environment

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Introduction

The European economy, in the context of global business environment, is based on increasing the interdependence and mutual supplementation of the European Union (EU) member states economies.

The level of this interdependence is determined by the development of: commodity exchange operations (including the service business sector), intellectual property rights, free labour migration, movement of capital without barriers, increasing the speed of communication among the economies of the member states and participants of the economic activity (in conditions of transparency of interactions) and also by forming a unified legal field of state and interstate regulations.

1.1. Definition of framework and Concept of European Economy Development

There are two ways to define the **European economy**: in a wider and narrower sense of the word. In the broader sense, the European economy is a system that includes all the national economies of Europe. The European economy, in the narrower sense of the word, is a system that includes only parts of European economies that deliver products and economic resources into an external environment (according to the economic theory, the term of products and factors being traded correspond to it, in contrast to products and factors that are not being traded, and which are in circulation only in countries of their own origin).

The emergence of the European economy occurred late in 19th and early in 20th century, when markets of goods and services were established, i.e. a set of products traded (according to the *narrower* definition of the European economy). At the same time, in Europe (and even wider), the international mobility of economic resources started to increase. West European capital has become an important element of capital accumulation, the energy products from Europe have economically conquered huge areas of North America, South Africa and Australia and other regions of the world, and Western entrepreneurs have brought the achievements of Western science (electricity, combustion engines, motor vehicles) to all parts of the world. After that the process of moving economic resources has become more complex, and the average developed countries have begun not only to import but also to export the capital, entrepreneurial skills and knowledge. In this context, it should be noted that underdeveloped countries took part in exporting their labor force. The result is the emergence of a widespread international movement of production factors, which, however, has not nearly become reciprocal. Accordingly, we emphasize that European national economies do not appear only as participants in the global market, but also as economic resource creators among countries. In these conditions of transition from 19th to 20th century, it became possible to speak, not only of the European, but also of the world economy as a collection of national economies that exchange products and economic factors mutually.

The last decades of 20th century have been marked by a tendency towards globalization as a process of merging social and political value systems. In a relatively short period, beginning in the 1960s, the processes related to economic life were accelerating. The beginning was marked by strong integration impulses, first in Western Europe. Then the phase of economic life internationalization was followed by strengthening and deepening interrelations, as well as the interdependence of national economies. Later in 20th century, in particular with the creation of the European Union, the European economy adopted and promoted new specificities of development: the establishment of interconnected economic relations of national economies on the principles of economic interest; ensuring the optimum economic effect of growth by entering other markets, as a result of the increased volume and diversification of product transactions; internationalization of reproduction processes in line with the development and diffusion of technology; the participation of previously closed national economies in European and global economic flows; etc. The stated specificities of development have generated, in practice, the creation of the European Union on the basis of global thinking of how to survive in the new economy. The European economy has been further developed under the influence of economic globalization that relates to the free movement of goods, services, capital, technology and information, i.e. the one including the globalization of production, finance, markets, technology, institutions, corporation and labour.

1.2. **Basic European Economy Entities and Their Role in Global Environment**

The entities of the European economy are distinguished as: *national economies; transnational economies; integration communities;* and *international economic organizations.*

National Economies - National economies are the key participants in the European economy. Predominating significance of national economies is confirmed by the fact that most countries retain their economic sovereignty despite the increasing external pressure, since the main decisions in the country (especially in larger ones) are still made by their governments and not by some outer powers. Therefore, while analyzing the European economy, one should, above all, rely on tendencies that have been going on in the world dominating economic powers.

Due to the decreasing significance of national economies within the European economy, the economic sovereignty of individual integration communicates has already been linked to the national mechanism of decision making. This is confirmed by the fact that governments of small countries, when taking economic decisions, often take into consideration the requests of international economic organizations and foreign transnational companies, and not the demands of their own companies and citizens.

Transnational Companies – National companies plaid the major role in foreign trade in the past, with their country's market remaining the main for them. During the past decades, many of them have become transnational companies with their field of activity (production, trade, financial) filling the European, but also the global space. As a result, these companies have become an important independent part of the European economy, producing 1/5 - 1/4 of the European Gross Domestic Product. Although most transnational companies still operate predominantly in the country of origin (home) market, they are the main carriers of globalization, since globalization, which transforms the world into a single market, is beneficial to them, primarily because they are the most powerful business entities in the market. In doing so, their interests do not always match the interests of national economies, taking into account the countries of their origin.

International Communities – The economies of numerous neighbouring European countries has started the integration process by creating regional economic communities. The integration process involves gradual abandonment of national sovereignty elements, both inwardly and towards the third countries as well, and according to that transferring its economic sovereignty to *above-national* bodies[1] with executive authorities in the entire space of the community, with an ultimate aim of creating a single economic and political region. These communities have become a significant part of the European, i.e. world economy mechanism, and some of them (particularly the European Union) mostly appear in the outer world in the name of their member states. In 2016, the European economy became *the second* world economy with $19.9 trillion of Gross Domestic Product[2] (China takes *the first* place with $21.3 trillion, the USA is *the third* with $ 18.6 trillion, India is *the fourth* with $8.7trillion, and Japan takes *the fifth* place with $4.9 trillion).[3]

International Economic Organizations - The number and importance of international economic organizations sharply increased in Europe during the years after the Second World War. Their actions were largely determined by the attitude of the countries with the highest influence in the European economy (*developed countries*). Some other countries were deprived form such influence because they depended on products, capital, and knowledge of developed countries and were therefore often forced to accept their views. Furthermore, due to globalization, the interdependence of national economies has strengthened, and therefore

[1]The term of **above-national** or **above-state**, as well as the commonly used synonym **supranational**, in its basic meaning denotes the space beyond, above and outside the state, but is usually associated with the authorities above the government of a national state (transcending the national authority and interests). A supranational organization has more legislative powers vis-à-vis member states, than in the case of typical international organizations.

[2]**Gross Domestic Product (GDP)** represents the sum of goods produced and services provided during a certain period of time (usually a year) by a national economy. It can be a) **the nominal Gross Domestic Product** calculated according to the current (market) prices of products. This can provide a certain insight into economic activities in a certain year. If the trend of the gross domestic product should be compared in a longer period of time (e.g. 10 years) then *the real gross domestic product* is used; and b) **real Gross Domestic Product** which is calculated on the basis of constant prices, with eliminating the influence of inflation. For the purpose of evaluating the level of the standard of living the term **gross domestic product *per capita*** (gross domestic product by number of people) is used to indicate the worth of a certain country's production in relation to the number of its citizens. **Gross National Product** or **Gross National Income** is defined as a total market value of final goods and services produced in a year by local citizens (its own nation), either if it has been created by using labor and capital in the local country or abroad. It is different from the Gross Domestic Product because it involves the income generated abroad by the citizens of one country, and it excludes the income made by foreign citizens in that country. Source: https://en.wikipedia.org/wiki/Grossdomesticproduct.

[3]**Trillion** (*Serb.* **Bilion**) is a natural number equal to 1,000 times one billion (1,000,000,000,000; one million million; 10^{12}; SI prefix: tera-). There is **a long and short scale** for writing numbers with a large number of zeros. According to *the long scale*, every term used for numbers above a *million* is one million times bigger than the previous. It means that *a trillion* is *million million* (10^{12}), and *quadrillion* is a *thousand million* (10^{18}), etc. According to a short scale every term for numbers higher than a million is a thousand times bigger than the previous. According to this, *a billion is one thousand million* (10^{9}), *a trillion* is *a thousand billion* (10^{12}), etc. Gross domestic product of all countries in the world totals $**7o** trillion. Source: https://sh.wikipedia.org/wiki/Millijarda.

their increasing need and desire for relaying on international economic organizations, with which they can solve many economic problems at the multilateral level. Consequently, the international economic organizations, as major players in the European economy, have become stronger, especially in relation to less developed and underdeveloped European countries. Global challenges arising in various forms of political, economic and social life that require the joint action of all countries of the world are the next important reason for the emergence and functioning of international organizations, especially when it comes to respecting human rights, solving demographic and environmental problems (climate change, water supply provision, the conquest of the universe, the instability of the world economy, etc.). Numerous organizations are often being formed when a crisis of these or those challenges deteriorate, some of them are related to a new group of countries making a breakthrough in global arena, and that with their individual development interests (which arose as a result of the dissolution of the colonial system or the application of different concepts of transition).

1.3. European Economy Performances Position

The EU economy comprises internal markets in economies based on free market and advanced social patterns. In 2015, its Gross Domestic Product totaled $37,800.00, compared to $57,084 in the United States of America, and $14,800 in China.

According to the Global Competitiveness Index even seven EU member countries are among the leading 10 most competitive European countries (*the first* is Switzerland with the Competitiveness Index 1, *the second* is Germany – with the Competitiveness Index 4, the Netherlands takes *the third* place with the Competitiveness Index 5).

Determining the ***position*** of the European economy performance, i.e. of the practical EU economy, should be based on an analysis of the general, competitive and internal environment.[4] On the other hand, performance ***repositioning*** should be based on the introduction of a new strategy with a scope and focus.[5] The performance of the European economy can be represented within the framework of the following *six* activities (economically supported), as segmental units of a wider range of activities of a single economic and political community of 27 European countries: economic and monetary affairs, trade, labor relations, small and medium size businesses and competition, transport and energy, and environmental protection.

Performances of Economic and Monetary Affairs - As a part of their economic and monetary union, the EU member states coordinate their national and macroeconomic policies in order to act as joint forces in the *momentum* of a crisis event.[6] That was the case when the financial crisis occurred in 2008. The national governments, the European Central Bank and the EU Commission managed to restore financial stability and create the proper conditions for growth and creating new workplaces, and support the banking sector (by injecting €1.6 billion – which is equivalent to 13% of the annual gross domestic product of the European Union - into the system through guarantees, i.e. in the form of direct capital); protected savings by increasing national guarantees for bank accounts to a minimum of €100 000 per the bank customer; maintained accessibility of loans for businesses and households; and established a better system of economic and financial management. Financial stability is ensured by monetary and fiscal policy measures.

[4]The analysis of the *general* environment gives an insight into the absolute attractiveness of the national European economy business portfolio. Attractiveness is measured by the yields and growth rates in specific portfolios in relation to the average in the matrix as well as the sign or tendency. The analysis of the competitive environment gives an insight into the relative attractiveness of individual businesses (the position of the national European economy in relation to direct competitors). The analysis of the *internal* environment identifies key performance indicators (financial and non-financial), by which key competence is tested as a source of competitive advantage." Source: Djuricin N. Dragan, Janosevic V. Stevo and Kalicanin M. Djordje, *Management and Strategy*, Center for Publishing, Faculty of Economics in Belgrade, Eleventh Edition, Belgrade, 2016, p.: 266; adapted.

[5]"*Strategic coverage* refers to elements of a general strategy that covers the product, market and technology. Possible strategic options are: growth, stability and withdrawal. *Strategic focus* refers to the choice of a generic strategy (the way in which a particular business achieves a competitive advantage). Possible generic strategies are: reducing costs, increasing perceived value or focusing on optimal cost-value ratio." Source: Ibidem, page 266.

[6]Read more: Stiglitz J., *Freefall*, Norton, New York, 2010; Stitgitz J., *The Stiglitz Report: Reforming the International Monetary and Financial Systems in the Wake of the Global Crisis,* The New Press, New York, 2010.

Some of the quoted measures include: deciding in the line with reducing the high level of state debt; establishing an annual cycle of economic policy coordination (through analysis of economic reform plans); strengthening the application of fiscal rules involving significant penalties for the euro-zone countries (19 of them) that violate these rules; new agreements on monitoring some risky **economic imbalances** - such as asset balloons (in house prices, stocks, etc.); and weakening the competitiveness; setting a key interest rate at levels designed to keep inflation close to, but below, 2%; managing a part of the Euro-zone foreign currency reserves with the purpose of intervening in foreign exchange markets in order to influence the euro exchange rate; etc. The combined size and strength of the euro-zone also creates a stronger and more stable currency that can provide better protection to its members against external shocks and turbulence in the currency market, than individual countries could achieve. Not only does the European Central Bank keep prices at a stable level, it also ensures that euro transfers to customers in other euro-zone countries are cheaper for banks and their customers. For **large amounts of money**, the **European Central Bank** and national central banks have a real-time payment system known as TARGET 2. After TARGET 2 was launched, **securities transactions** in Europe are more securely and efficiently resolved on a single platform managed by the **Euro-system** (central banks of the Euro-zone and the European central bank). The European Central Bank and the Commission are also working to extend the benefits of more efficient and cheaper payments to the whole continent - through **a Single Euro Payments Area** (SEPA). In practice, this means that in 34 European countries, all **payments in Euros** (bank transfers, direct debit, cards, etc.) **are treated completely the same**, regardless of whether the payments occur between parties in the same or different countries.[7]

Performances of Trade - EU trade with the rest of the world accounts for about 20% of world exports and imports. Over 62% of the total trade of EU countries is done with other European Union countries. The economy of the European Union particularly supports foreign trade as its global component. In 2014, the export of goods to the European Union was equivalent to 15.0% of the total exports in the world. Trade partnerships are accomplished mainly through free trade agreements. These partnerships seek to create growth and employment for Europeans by opening up new markets with the rest of the world economy. Transatlantic markets, for example, represent transactions worth about €2 billion daily. EU trade policy also aims to reduce child and forced labor, environmental damage and price volatility. When dealing with the poorest countries in the world, EU trade policy combines, as a rule, **trade and development**. Providing support to small export businesses with advice on improving trade management are just some of the ways in which trade and development can work together to ensure a definite benefit from growth *led* by trade.[8]

Performances of Agriculture – "The EU agriculture policy is established at the level of the Union by its member states governments, and implemented by each individual member state. The policy aims to support farmers' income while encouraging them to produce high-quality products that are in high demand on the market, but also to find new development opportunities, such as environmentally renewable energy sources."[9] The agriculture outputs are achieved by conducting the agricultural policy in the sense of: helping farmers **to produce enough food** for Europe; protecting agricultural producers from excessive **price fluctuations and market crises**; **helping farmers to invest in the modernization of their farms**; **the maintenance of rural communities; creating and maintaining jobs in the food industry**; **protecting the environment and animal welfare**; etc. The purpose of reforms in agriculture implemented in 2013 was: to develop green agricultural practices; explore and expand the existing knowledge about the successful management of agricultural processes; create a more equitable system of support for farmers; strengthen the position of farmers in the food chain; etc. In addition, certain labels have been introduced for products that indicate origin and the use of traditional ingredients or methods (including organic production) and which also help ensure that products are **competitive on the global market**. Furthermore, **export subsidies for agricultural products have been abolished in order to promote fair trade relations with developing countries**. As a part of the EU budget, farm spending has been shrinking rapidly since its peak in the 1970s from almost 70%,

[7]Read more: Popovic Svertlana, *Monetary Policy of European Central Bank and Its Consequences to Convergency Process*, Doctoral Thesis, Belgrade University School of Economy, 2013.
[8]Source: https://europa.eu/european–union/topics/trade–hr
[9]Source: http://www.seerural.org/wp–content/uploads/2009/05/04_ZAJEDNICKA–POLJOPRIVREDNA–POLITIKA–EU

to date around 38%. This reflects the spread of other responsibilities of the European Union, that is, cost savings based on the reforms undertaken.[10]

Performances of Transport – Transport is one of the key sectors of the European Union economy. Share of transport in the total gross value added in the 27 EU member states, accounts for 4.8% or €548 billion. Transport provides 11 million jobs. The European Commission, in the context of transport, aims at developing and promoting efficient, safe and sustainable transport policies, therefore creating conditions for establishing competitive industry which is generating jobs and prosperity. On the other hand, there are numerous challenges the transport faces. Among other things, they include traffic jams in road and air transport. Thereafter, there is the dependence on oil consumption (as much as 96%). In addition, greenhouse gases are emitted by transport, which has a negative impact on the environment. Finally, it should be noted that the transport sector of the European Union faces rising competition in transport markets that are rapidly evolving in other regions of the world. In the context of the above, the response of the European Union is reflected in supporting **research and innovation** in the transport sector and the efficient use of new green transport technologies. New rules in this sector require the EU member states to promote clean technology (cars powered by electricity / hydrogen) and consequently build an adequate number of stations with electricity, gas, etc. charging outlets. As of 2014, the EU economy has been introducing a new **transport infrastructure** policy that will allow the continent to connect from the east to the west or from north to south. This policy aims to close gaps among national transport networks, remove bottlenecks still hampering the smooth functioning of the single market, and go beyond technical barriers such as incompatible rail traffic standards, and so on.[11]

Energy and Environmental Performances - Given that the European Union is facing increasing demand for *energy*, unstable prices and supply disruptions, the EU economy is focused on establishing a clear energy strategy that will highlight the need to support the principle of ensuring supply, the principle of competitiveness and the principle of sustainability. New **technologies**, **energy efficiency** measures and renovated **infrastructure** are to affect the lowering of costs for households and companies, create new jobs and boost growth and exports. Europe will become a sustainable, with low carbon emission, and environmentally friendly economy. This kind of behavior mentioned above creates a path to the production of renewable energy and initiating the struggle against global warming. The priorities of the European economy in the context of energy are: reduction of greenhouse gases by at least 20% compared to 1990 levels; ensuring at least 20% of energy coming from renewable sources; and providing energy efficiency improvements by 20%.

When it comes to *environmental protection*, then it should be noted that the European economy has the highest environmental standards in the world. Environmental policy helps in **the green economy of the EU**, **protection of nature, health and quality of life** of people living in the EU. Environmental protection and maintaining a competitive EU presence in the global market can go hand in hand, and environmental policies can play a key role in creating jobs and fostering investment. “Green growth” implies the development of integrated policies that promote **a sustainable environmental framework**. Eco-innovations can be implemented and exported, making Europe more competitive and improving the quality of people's lives. Righteousness is the most important thing in all of this. Resources and their rational use are one of the key development priorities for the European economy. In this context, the economy focuses on preserving natural resources and halting the decline of threatened species and habitats. The **Natura 2000** project has created a network of 26,000 nature protection areas, covering almost 20% of land of the EU countries, where sustainable human activities can co-exist with rare and endangered species and habitats. As **a global player**, the European Union plays a key role in international efforts to promote sustainable development at a global level. The current EU policy by 2020 is based on the **7th Environment Action Program** – dual responsibility of the EU institutions and of national governments.[12]

[10]Source: http://www.seerural.org/wp–content/uploads/2009/05/04_ZAJEDNICKA–POLJOPRIVREDNA–POLITIKA–EU

[11]Source: https://europa.eu/european–union/topics/transport_en

[12]Source: https://europa.eu/european–union/topics/environment_en

Performances of entrepreneurs - The European economy aims to make the European Union industry more competitive and promote creating jobs and economic growth by establishing a business-friendly environment, especially for small and medium-sized entrepreneurs. The economy has unused entrepreneurial potential. Only 10% are intended for entrepreneurs. In this sense, it takes measures in terms of loans and guarantees, tax incentives and etc. to stimulate the development of entrepreneurship and entrepreneurial culture.

Conclusion

Performances of the European economy (economic and monetary affairs, trade, agriculture, transport, energy and the environment, entrepreneurs), expressed in an innovative way, contribute to increasing its competitiveness in the global economy. The European economy implements innovative policies and programs that support the development of innovations and the creation of new content bases for research and development, and channeling their outcomes in the sphere of specific policies and economic activities, as well as improving products and processes.

The competitiveness of the European economy is supported, to a large extent, by its industry, which accounts for 80% of European exports. In order to maintain this percentage, the European economy invests considerable resources in research and development, or in innovation. It is no longer enough for businesses of the EU member states to rely on their key competences, making incremental improvement in order to maintain a competitive advantage. A leader in any sphere of the European economy must focus on revolutionary innovative solutions, because success in the new economic reality can only be achieved by applying them.

In the European economy, innovation is considered a central principle that should be fostered by government policies and encouraged by knowledge and technology. By adopting and developing the substantive basis of this principle, the European economy is oriented towards a constant state of growth and development, aiming at establishing its sustainability.

In addition to innovations in *a strictly business industrial sector*, the European economy advocates innovation in the so called *blue economy*. “In times of economic crisis every opportunity for growth and job creation should be grasped. Europe's seas and oceans not only provide these in abundance but in the face of a scarcity of resources and a growing world population, they will also be increasingly drawn upon for our food, medicine and energy needs. From the production of clean energy to the development of new, sustainable industries in fields as diverse as bio-tech and aquaculture, innovation in Europe's maritime economy will therefore be crucial to Europe's recovery and future.”[13] Performances of the European economy, as it can be seen from the above textual premise – are diversified, and all of them focus on the future of doing business and promoting better conditions for life and work of people in the European area.

[13] Source: https://ec.europa.eu/dgs/maritimeaffairs_fisheries/magazine/en/policy/innovation–blue–economy

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Analysis of Health Care Institutions Effectiveness

Univ. Prof. Dr. Veselin Dickov

Abstract

Background: The aim of this paper is to explore the place, role and importance of modern approaches in determining the strategic position of health care institutions, as well as economic and financial indicators in their business in a comprehensive, concise and understandable way. **Methodology:** This paper deals with an analysis of economic indicators of business performance, and an analysis of financial indicators from the perspective of the BSC model. The concept of the paper is in agreement with the methodology of the research, which includes: the research problem, case studies, research goals, the basic hypothesis research, scientific and social justification of research and research methods in the improved strategic position of the Clinical Center of Vojvodina - CCV. **Results:** Health care organizations have been successful in their operations of developing systems for measuring and evaluating resources used to create strategies and develop skills. BSC is a tool to transform the mission into the strategy, objectives and measures, based on four aspects, namely: patient financial aspect, internal business processes aspect and learning and growth aspects. **Conclusion:** BSC is a framework, a way to develop the mission and strategy, which besides being helpful, inform about the methods used by health care workers to evaluate the stimulation in the past and anticipate the future success. There are measures in the BSC used to formulate business strategies, communication inside them, alignment of individual and common goals and initiatives for their implementation. The four aspects illustrated by the BSC are to establish a balance of short-term and long-term objectives, implementation and expectations of the objective and subjective measures, all of which lead to an integrated strategy.

Key Words: Strategic Analysis, Economic Indicators, Balanced Scorecard, the Financial Indicators, Clinical Center of Vojvodina.

* * *

Background

Analyses of the strategic position of health care companies and of economic and financial indicators of the business performance are highly important to every health care enterprise. They serve as a methodological tool for getting to know about the past, what level of economic growth has been achieved, and what prospects can be expected in initiating the development of health care enterprises by such an undertaking. [1] In this sense, this paper focuses on a detailed analysis and an overview of the current strategic position of the specific production of health care institutions that belong to the services branch, as well as an analysis of critical factors that need to be dynamically monitored in the process of exploring the changes in the optimum position. The entire procedure involves considering the economic indicators of business performance and financial indicators from the perspective of Balanced Scorecard model (BSC), which largely determines the chances of achieving success after changes.

Methodology

STRATEGIC POSITION ANALYSIS

Whether a strategy has been successfully implemented or not is defined by the process of formulating a strategy which is determined by a series of steps which include strategic analysis, strategic planning, strategic decision making, strategy implementation and strategic control. Strategic analysis begins with strategic planning in the health care company [2]. One of the best methods and techniques of strategic analysis is the SWOT analysis. It allows the detection of positive and negative factors affecting the achievement of strategic orientation, and provides the possibility that the factors will have some timely effects. In the process of making strategic decisions, an important place is occupied by the SPACE method (Strategic Position & Action Evaluations) [3]. This method is used for evaluating the performance of one's own company and that of competing companies, as well as for identifying the strategic position of the health care enterprise and its competitors. [4]. SPACE Matrix is made up of four dimensions, two of which are internal dimensions and relate to the financial strength and competitive strength, and two are external dimensions related to the stability of the environment and power sectors. These last two dimensions determine the strategic position and the current situation. When using the SPACE model, it is necessary to define the factors that determine the internal and external dimensions:

• Factors that determine the stability of the environment include: technological change, inflation, volatility of demand, the price ranges of competing services of medical products, barriers to market entry.

• Factors that determine the potential economic sectors are: the potential for growth and development, financial stability of the industry, technological know-how, the use of resources, capital intensity, and flexibility.

• Factors that determine the competitive strength of enterprises as: market share, quality of health care services, life cycle service, loyalty to the patient as a consumer.

• Factors that determine the financial potential of health care companies are: profitability, liquidity, capital requirements and the relationship between capital, cash flow and the ease of eliminating the market risks in business.

According to this methodology, each of these factors are evaluated and determined by the score of each dimension. On this basis, it defines a vector direction of the SPACE matrix, and mathematically and graphically determines the strategic position of companies which can be aggressive, competitive, defensive or conservative [5] [6].

Analysis of Economic Indicators of Business Performance

On the basis of economic success as a relationship between the actual production results and investments made to achieve these results, we reach the criteria of formulating the basic indicator of business performance. The essence of the basic economic principle could be considered as gambling to a certain extent, as investments made in the production to achieve the best business results, with the prospects of achieving maximum results with minimum investments. The implementation of basic economic principles on the three partial reproductions is aimed to achieve economic success, which can be effectively controlled [7]. Particular partial reproduction principles are formed by using the ratio of elements found in certain types of investments that have a particular economic and social importance, and on that basis we have the following three partial indicators of business performance:

3.1. Productivity

This represents the requirement for attempting to achieve specific provisions of health care services with the minimum labor usage. Through its application, this principle seeks to maximize the performance of individual health care workers. It is calculated as the ratio between the actual physical product (Q) and the utilization of the labor force

(L): **P = Q / R (1)**

3.2. Economy

It is the requirement to attain a certain value of health care services at minimum costs to provide them. The application of this principle reduces the weight value of the values produced and set aside for reproduction, and thus the mass increases remain available to meet the needs of the expanded reproduction. It is calculated as the ratio between the gross production value (V) and cost elements of providing health care services

(T): **E = V / T (2)**

3.3. Profitability

This is the requirement to achieve maximum income with minimal engagement of financial means. It is calculated as the ratio between the actual income (D) and the appropriation of the invested capital. (S): **R = D / S**

BALANCED SCORECARD METHOD FOR PERFORMANCE MEASUREMENT

Balanced Scorecard has emerged as a system for measuring performance and the overall success of the company, approached from different aspects. Indicators within the financial perspective can be an indication of the results, while other indicators provide early signals of possible future outcomes and point to the need for corrective action. Combining financial indicators and measurements of agent performance, perceptions and patients–customers expectations, and internal processes and activities, lead to achieving short-term goals associated with the projected long-term economic goals and performances. Due to these advantages, the Balanced Scorecard has a central place and role in the overall control process. By measuring the operation of health care institutions and non-financial perspectives, the BSC provides a balanced system of measures, which establish a balance of performance measurements on three grounds [8]:

• The balance between external measures that relate to the owners - the shareholders and patients – customers, and relate the internal measures to internal business processes and learning and development,

• The balance between the measures of success, as a result of past actions and measures of future performance,

• The balance between objective measures of performance (quantitative) and subjective measures of performance (qualitative).

The concept of the Balanced Scorecard contains two basic elements: [9]

• The base, which refers to the strategic planning of future health care companies.

• Fields of view (perspectives) to provide data and information on how we perceive the shareholders (owners), and patients who need to improve processes or to develop new ones, and whether employees possess the necessary skills and knowledge.

For the purpose of carrying out the financial analysis, the most commonly used four groupings of indicators drawn from financial statements are: [10]

• Liquidity indicators;
• Solvency indicators;
• Indicators activities; and
• Profitability indicators.

RESULTS

The health care institution where this particular research has been conducted is the Clinical Center of Vojvodina, in Novi Sad. It is the Clinical Center of Vojvodina in the traditional sense of the word and represents the peak of the pyramid of the whole system, providing most of the secondary and tertiary health care services to the population of the province of Vojvodina. At the same time, the largest consumers in the health care system are from this province. [11] [12]

The roles of the Clinical Centre of Vojvodina are:

- Focus on tertiary care provisions;
- Referral center for complex cases;
- Medical research center;
- Support for undergraduate medical education;
- Focus on post-graduate specialization, continuing medical education and other branches of education like nursing and physician training;
- Leading the introduction of new evidence-based technologies and approaches;
- Professional leadership of the region;
- Leading and promoting innovations in health care;
- Leading developments in professional quality improvement;
- Monitoring of professional performance in the region.

Vision Statement

Develop a high level of clinical centers and a model capable of leading the delivery of standards of general and specialized hospital care comparable with those the best found across Europe.

Goals and Objectives

They include the following: To develop an exemplary model of high level hospital to hospital delivery leading reform throughout its implementation in the hospital system of Vojvodina; To solve the emergency infrastructure and equipment problems, for the purpose of creating a sustainable high level hospital systems and detailed proposals. Solutions for the Clinical Center of Vojvodina differ in character and scale from those for the Clinical Center of Serbia. The size and complexity of the Clinical Center of Serbia require a far more radical plan. It is highly unlikely that the project objectives can be achieved at the Clinical Center of Serbia through incremental planning and development. The paper has been modified by using the SPACE method created for the purposes of accurate analysis and simulation of possible (ideal) positions of strategic enterprises. SWOT analysis was performed for the purposes of strategic analysis. These are the results of applying the basic principles of a SWOT analysis to the Clinical Center of Vojvodina.

SWOT - analysis of CC Vojvodina

Strengths - Strong positions (Criterion)

- General health care of the population in Vojvodina is satisfactory, according to health indicators;
- Health care in most parts of the country covers the needs of the population;
- The debt in health care has started decreasing;
- Rationalization of costs was partly realized through the project of planning reforms.

Disadvantages - poor sides (Weaknesses)

- Fragmentation within the organizational structure, a lack of horizontal and vertical connections of the institutions;
- Insufficient number of trained medical personnel on the market;
- Poor information technology, equipment and IT workforce skill levels;
- Inadequate legislation in health care and health insurance;
- Weakened by primary health care;
- Insufficient emergency medical activities;
- Oversized specialist health care;
- Excessive expectations of patients and health care workers;
- Financial insolvency debts of the health care institutions;
- Uneven regional economic potentials and possibilities for financing health care;
- Inadequate means of financing health care;
- Inadequate prices of health care services;
- Regional unevenness of knowledge and professional qualifications of the personnel;
- Mismatch between educational processes and practices;
- Excessive percent of non-medical staff in the structure of employees;
- Lack of expertise and professional personnel in management of health care system;
- Long-lasting debt but paid in science and research in health care and medicine;
- Insufficient mechanisms of stimulation of development of science and research in health and medicine;
- Lack of connections with international scientific research projects in health care and medicine.

Opportunities

- The introduction of planned preventive measures can be expected to influence the three leading causes of death (cardiovascular diseases, malignant diseases and injuries);
- The possibility of restructuring the existing institutions;
- Categorization of health care facilities;
- Qualitative changes in the management of health care services;
- Cooperation with international experts and institutions;
- Reorganization and Strengthening of primary health care.

Obstacles - Risks (Threats)

- Rigidity of the existing system;
- Legislation that poorly supports the changes;
- Lack of financial resources for the implementation of reform goals;
- Resistance to reforms;
- Partial interests;
- Different interest of lobbies;
- Poor horizontal and vertical correlation of individual segments of health care;
- Misunderstandings or lack of the traditional reform.

Based on the results obtained by the SWOT and SPACE methods, values for the observed four dimensions can be reported, which may be represented as follows: showing results of the current strategic position of the Clinical Center of Vojvodina using the SPACE method and executing analyzers of individual SPACE dimensions and presenting the factors [13] [14] [15].

- review the internal dimensions of the observed CCV - competitive forces;
- review the internal dimensions of the observed CCV - financial potential.

Proposed solutions for improving them in terms of general developmental goals:

- Restructuring the research and development department in terms of building an integrated system capable and ready for the introduction and development of medical services;
- Devotion to paying greater attention to the stage of the health care services life cycle with structure analysis of the services to create unique information about the overall program of health care services and to indicate those parts of the utility by the elimination or expansion;
- Training of personnel as well as improving the implementation of reward systems;
- Reducing the costs the services encounter through cost reduction, investments in technological improvements, more efficient procurement. [15] [16]

CONCLUSION

Bearing in mind all of the above, it can be concluded that for successful operation, health care companies need to constantly monitor and analyze the strategies defined within the institution, because they need to reach the desired strategic position, where the perception of economic and financial indicators arrives at a conclusion on the financial performance, and how successfully the company implements the defined strategy, because strategies which are formulated and not carried out the right way, without yielding results, are left with no purpose. Turbulent environments require such institutions to conduct strategic analysis and business performance analysis ordered at any time. The strategy must be in accordance with the requirements and objectives of the enterprise environment, where economic and financial parameters largely determine the chances of achieving success through change. This will result in the increased competitive advantage compared to similar companies, as well as other profitable businesses. Renewal and modernization are integral parts of the proposed development strategy for the Clinical Center of Vojvodina meant to create a modern, efficient and sustainable hospital system not only in this province, but also in the whole Serbia. [16]

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Univ. Prof. Dr. Saša Zečević

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Associate Professor Dr. Saša Zečević was born in Berane, Montenegro, on Sept. 24, 1967.

He completed his elementary and high school education in Belgrade. He graduated from the Belgrade University, the Faculty of Mechanical Engineering - the Department of Thermo-techniques in 1996 gaining the title of a Graduated Mechanical Engineer in Thermo-techniques. In 2006 he acquired the title of Master of Sciences in International Management and Information Systems at the European University. In 2008 Prof. Zečević gained the title of Doctor of Science in International Management at the European University.

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Dr. Saša Zečević is the author and co-author of scientific and professional papers published in journals and he has participated in a number of scientific conferences in the field of computer science and electronic business. Also, Dr. Saša Zečević participated in the realization of numerous projects in the field of information technology, particularly those related to banking information systems, electronic business and the system of card business operations.

Application of Standards and Regulations in the Field of Information Technologies and Their Influence on Financial Institution Development

Univ. Prof. Dr. Saša Zečević

Abstract

Application of the adopted international standards in the processes of development and application of information systems contributes to the achievement of efficient, reliable and secure information management. To be a part of the world means to accept the methods, standards, technical regulations, terminology, etc. used worldwide. The application of these standards enables better understanding and being better understood by the environment. It is also a prerequisite for good communication, exchange and efficient use of information and communication technology (ICT) in information systems (IS).

Every institution, and particularly a financial one, is obliged, in accordance with the nature, scope and complexity of the business, to establish an adequate information system that meets the following minimum requirements:

1) to obtain the capacities, functionality and performances enabling the provision of adequate support to business processes;
2) to provide timely, accurate, complete and relevant information necessary for making business decisions, efficient carrying out of business activities and risk management, i.e. for secure and stable operation of the institution;
3) to be designed with appropriate controls for data validation at the input, during the processing process, and at the output of that system, in order to prevent the occurrence of inaccuracy and inconsistency in data and information.

Considering the standards that regulate this topic, institutions are obliged, in accordance with their nature, scope and complexity of the business, as well as the complexity of the information system, to establish, monitor, regularly revise and improve the information management process in order to reduce the exposure to risks and preserve safety and functionality of the information system.

The EU revised Payment Services Directive or PSD2 will have a major impact on the future of the financial sector. Banks will be obliged to open the APIs, with the consent of their users, and to provide access to the account and transaction information as well as to enable the authorization of the transaction directly from the user's account.

It is currently impossible to imagine the modern business without the use of information technologies. Information becomes an important resource on which the survival and development of the organization depends. Organizations are becoming more and more open by linking their information resources with their customers, suppliers and other clients. This leads to the emergence of numerous security threats such as computer fraud, espionage, sabotage, vandalism, fire, flood, and so on. The damage done to organizations in the form of a malicious code, computer hacking and denial of service is increasingly present. No matter what form they are storing, information must be adequately protected. In order to ensure adequate information protection, all users must be familiar with the concept and the protection measures required.

Key Words: Standard, Regulations, Information Technologies, Financial Institution, PSD2, E-Business, Information Security.

* * *

Introduction

The increasingly complex and dynamic business conditions and market demands led to the rapid development of the banking information systems (BIS). The banking information system comprises a series of interrelated elements and activities within the business process, which consists of collecting, processing, distributing, using and storing information for the purposes of planning, implementation and control of the working process, aimed at establishing more efficient placement of financial resources with making the higher profit with lower risk.

A bank as a business system consists of a managing, operating and information systems with specific tasks, activities and goals.

The information system, as a subsystem of a banking system, should contribute to the successful functioning of the bank by completing the following key tasks:

- Informing about all requests in the bank in a timely and adequate manner;
- Providing the entire and complete documentation in the form and shape that is easily accessible for monitoring and analyzing the business processes;
- Providing the smooth flow and exchange of information (designed information) within all business functions in the bank (the internal information flow), as well as with certain systems in general in the environment (the external flow of information);
- Providing adequate information necessary for decision making and executing the management function.

Therefore, organizing the BIS at the level of one function within a bank, or at the level of the entire bank, is the basic requirement for the efficient operation of the bank, which directly ensures the uniqueness of the BIS, which is reflected in the fact that the information, once downloaded or recorded, can be used as many times as needed, when the unique software solutions are being used. The application of the information system depends on the business system, the defined business policy, the organizational structure of the bank, its size, and the like.

Therefore, it is necessary that each bank, autonomously, and in accordance with the market conditions and modern trends, determines its organizational structure, and the type and volume of computer equipment and applicative software. It is important that banks, when constructing and designing their own information systems, by applying computer techniques, take a systematic approach, which signifies the connected and mutually stipulated series of subsystems, while the BIS is being built and developed as a structured integral system.

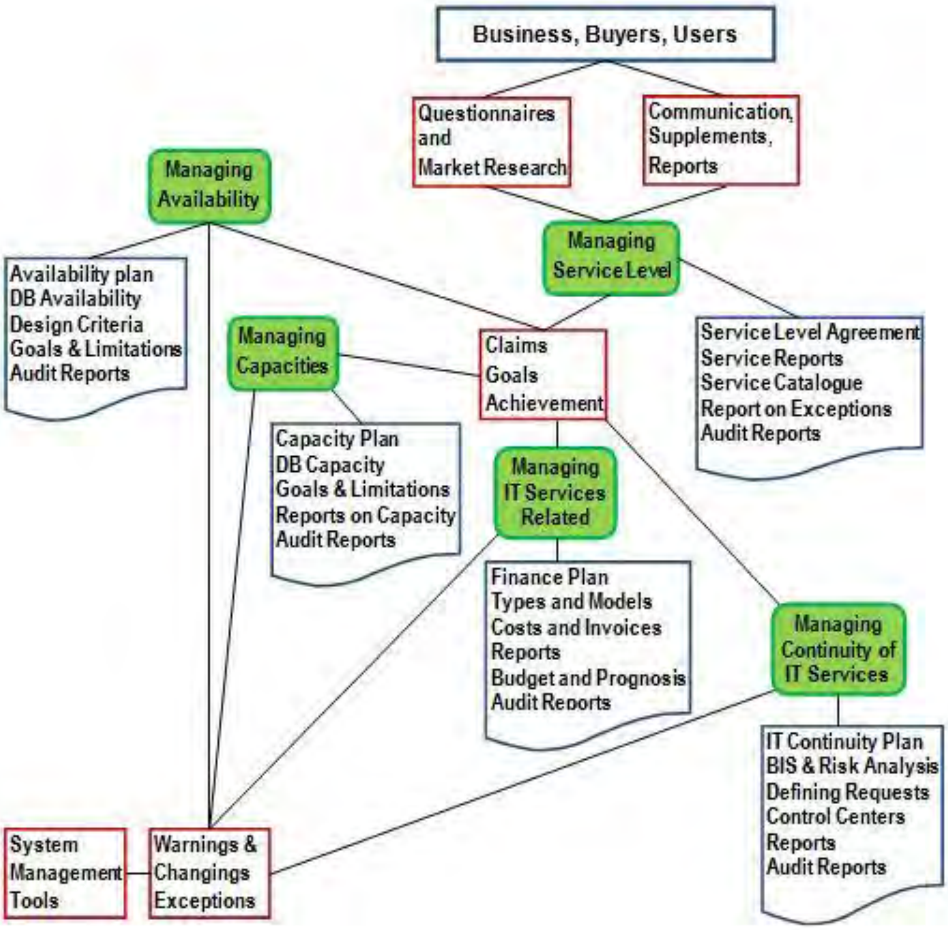


Figure 1 – Processes of delivering IT services

Electronic Business (E-business) and the Aspect of Data Security

The contemporary way of doing business would be unthinkable without using information technologies. Information becomes an important resource on which the survival and development of the organization depends. Organizations are becoming more and more open by linking their information resources with their customers, suppliers and other clients. This leads to the emergence of numerous security threats such as computer fraud, espionage, sabotage, vandalism, fire, flood, and the like. The damage done to organizations in the form of malicious code, computer hacking and denial of service is increasingly present. Regardless to in which form they are being stored (nourished), all pieces of information must be adequately protected. For the purpose of ensuring an adequate information protection, all users must be familiar with the concept and protection measures required.

Information technologies play an important role in developing and maintaining the competitiveness of contemporary organizations. Introducing the Internet, intranet, electronic business, etc. has significantly improved the ability of organizations to respond rapidly to the ongoing changes that occur in the environment in which an organization carries out its business activities. Without the application of these technologies, they can hardly survive in the market that is increasingly globalized. Exposing the organization's information resources to the outside world also has its negative sides. Information and information resources (hardware and software) are exposed to numerous security threats such as computer fraud, industrial spyware, hacking sabotage, viruses, etc. The survival of organizations is directly related to its ability to protect its information values. Thus, the concept of protection, that is, security of information, comes to the foreground.

Modern business practice shows that the problem of information security is not exclusively the problem related to the information technology, but that it is more a "business" problem that must be addressed by the highest level of management of the organization. The problem of managing risks (risk management) is at its core.

Protecting information, preserving its confidentiality, integrity, i.e. completeness and availability is becoming of primary importance. Information security is much more than using the appropriate technical solutions offered by modern information technology.

The automation of banking operations has led to the expansion, in world scale, which has led to the creation of unique, unified information systems and the establishment of a broad computer network.

Electronic Business is no longer a new way of doing business, and it has brought numerous particular benefits. It is a business system, or a set of actions, that seeks to take full advantage of the benefits of the information and communication technology advancement in order to improve the business process. Even though the e-business is most often based on web technologies, the definitions that talk about e-business as online business are only partly true. Electronic Business is any kind of business that relies on an information system. The information system can be understood as a database available on a local or global network.

Modern banking operations cannot be imagined without the Internet. Internet banking or Cyber Banking refers to doing the direct banking business from home, from work or from any Internet cafe.

Advantages of conducting banking transactions in the Internet banking are: higher level of transactions security (because no special software is required and data are currently no longer stored on the client's hard drive); options of accessibility of the bank and the account (from all over the world, provided that a computer connected to the Internet network is used); the bank maintains a system of protection and provides the possibility of online transactions; the absence of time and space limitations; the speed of carrying out transaction; low prices; lower fees and a wide range of services.

Internet banking is the cheapest form of banking services with a wide range of the banking products offer, available 24 hours, and the challenges for further development and innovation of new services and offers to customers. Accepting the importance of new services and competitiveness of the bank, on the Internet, besides presenting the existing products and services, constantly, using new opportunities, the BISs create banking innovations, such as virtual outlets, special financial-software programs that take care of clients business, payment by electronic money, payment of so-called Smart Cards... Regardless of the above mentioned innovations, the offer of banking products and services is almost uniform.

The main limiting shortcomings of the Internet system, applied in banking, refer to stipulating clients to accept this technology with running the security and privacy risks, the lack of legal regulations and the danger of misuse for criminal purposes. From the security and privacy point of view, this problem is solvable, but skepticism regarding the application of banking transactions persists, primarily due to the fear that the key financial information will be accessible.

Among new innovations related to making payments over the Internet, those of particular interest are:

- Smart Cards,
- Digital Money, and
- Micro-Transactions.

Smart Cards have great transferring power, the so-called "AA" (Anytime Anywhere), with multifunctional combinations of its functions via a built-in microchip. It allows users a variety of different applications, so a smart card can serve as a credit card, a debit card, an electronic money storage wallet, ID card, driver's license, etc.

Digital money systems are based on digital bills in the form of digital signals placed on a microchip or on a fixed computer hard disk, implemented in a plastic card. Payment is made over the Internet, online and off-line.

Micro-payments are electronic payments (Pico-payment) that refer to Internet payments of small amounts and are used for the purchase of intangible assets.

Mobile banking

Mobile banking is the latest trend in electronic banking and it refers to wireless access to banking operations. This type of banking enables transactions via laptops, digital personal organizers (PDAs) and mobile phones, equipped with special software for mobile Internet access, so they can be used to perform all kinds of services and transactions.

Taking into account the rapid pace of life, banks are determined to meet the need of their clients, anytime and anywhere, quickly and discreetly, to obtain useful and accurate information on the balance of their accounts. For the client to be able to manage his funds adequately, the accurate and reliable information about the status of the bank account is necessary. The traditional model of obtaining such information means going to the bank counter or calling the appropriate branch, which requires a significant amount of time and money. A solution to overcome spatial and time constraints was found by using a mobile phone and SMS. If a client wants to receive information on his/her account via short messages, he/she should fill in a special application form in the bank branch office offering such a service, in which he/she gives the account information and the mobile phone number from which he/she will post the queries. For using such a service, one needs an account opened with the bank and any kind of mobile phone at disposal. After authorizing and approving the application, the bank customer automatically receives a greeting message on his/her mobile phone, informing him/her that he/she has become an active user of this service.

The activated service enables the client, at any moment to:

a) check the balance on the account, on demand, daily or after change (where the parameters of inflow into the account are defined and an adequate SMS message is received, as well as those regarding checks, and the last change/transaction, etc.);

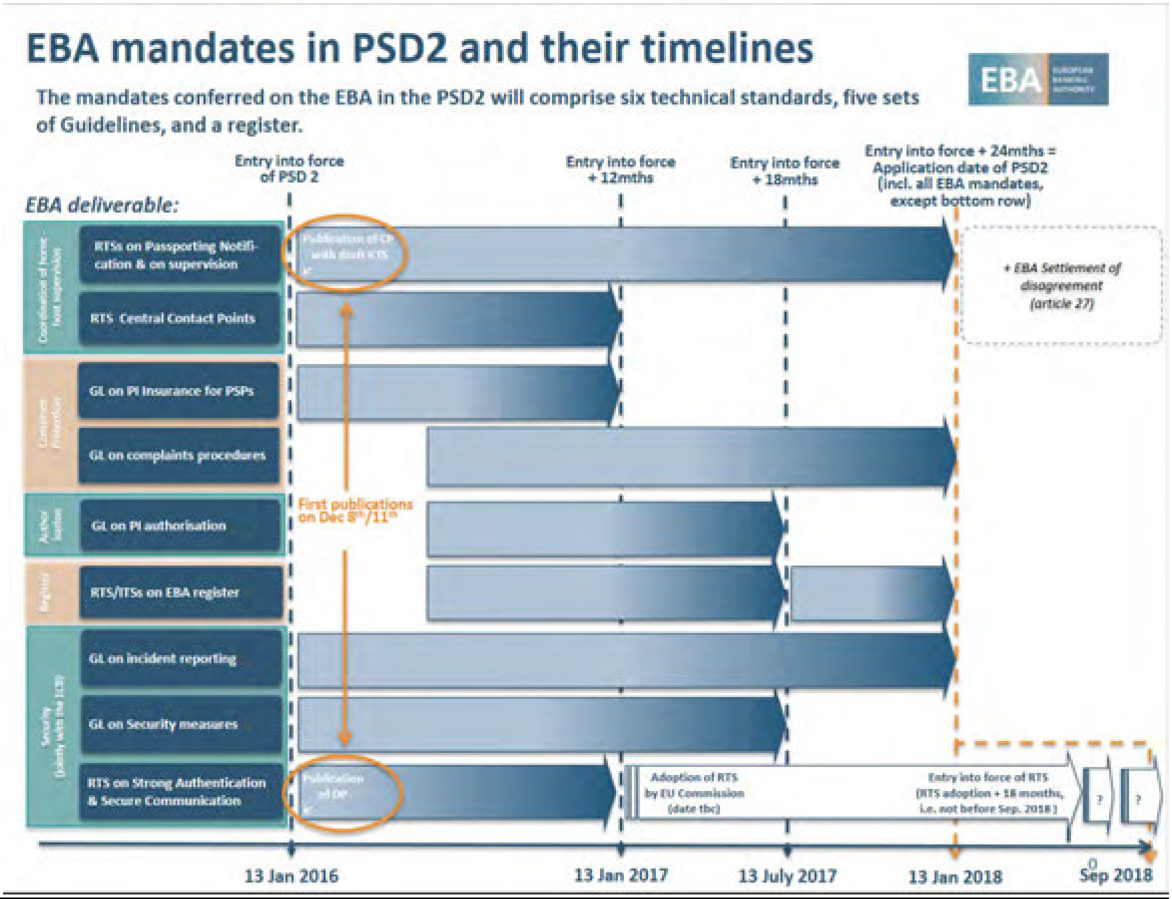
b) performing a payment transaction, whereby payments may be made only to the aforementioned accounts;

c) have an insight into the valid exchange rate list, etc.

A simplified example of using a SMS banking messaging by a client: For example, a client may query the balance of their account. It is necessary for the client to send a message from his mobile phone to the bank service number which contains the code for checking the account balance. The user receives the requested status information in the form of a message on his mobile phone. The message arrives in a very short time, which varies depending on the level of mobile network load, but it is rarely longer than one minute. The security system is based on the connection between the transaction account and the mobile phone number (some banks use the PIN) as well as the predefined account numbers for which payment can be made. These capabilities have been used by many financial institutions, primarily banks, in the best possible way, aggressively directing business into mobile banking channels. It has been forecast that the future mobile banking, i.e. the payment system by using mobile phones will, by the number of users, surpass the number of those using the Internet.

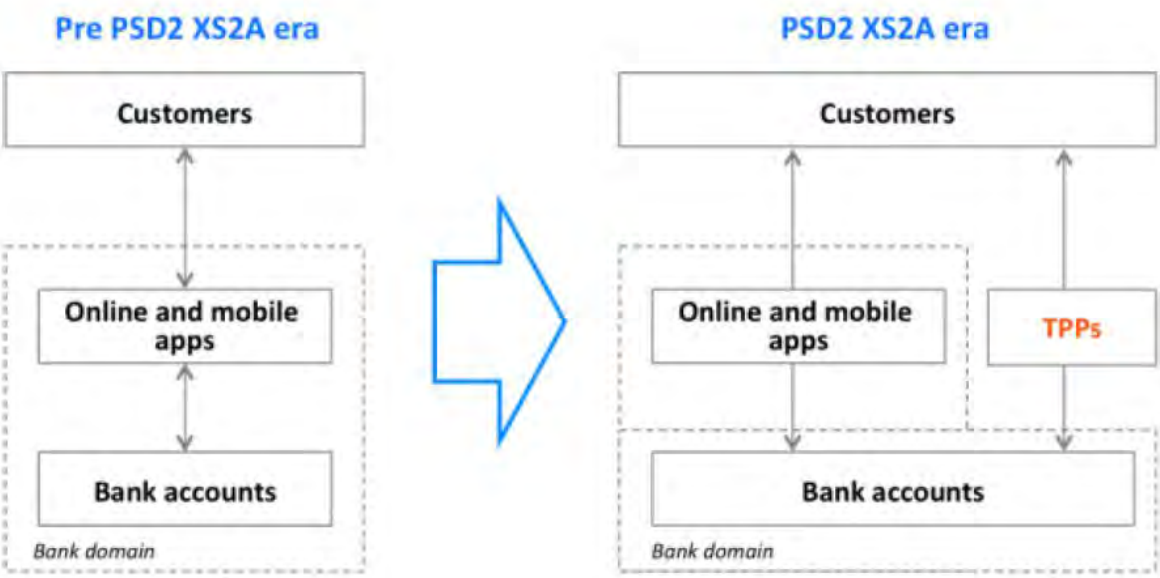
PSD2 Directive

The banking system is currently in the process of transformation. One novelty that has shaken it is the Payment Services Directive 2 – PSD2, adopted by the European Union in an effort to create an efficient and integrated market for payment services. PSD2 is to come into effect in January 2018.



Source: https://www.eba.europa.eu/

This Directive is of a comprehensive nature, but the provisions that have attracted the most attention are mainly related to the fact that access to client accounts will have not only be given to banks, but to new market participants, the Third-Party Providers (TPPs). If the bank's client expresses the desire and gives the approval to manage his finances through a third party, TPP, whether it's a transaction through platforms such as Facebook or some e-Commerce platform, banks will have no other option than to grant access to the client's account through an open API (Application Program Interface).



PSD2 Advantages for users

The implementation of PSD2, transfers the balance of power to clients, providing them with several additional advantages:

- Complete overview of all financial transactions and lower associated costs;
- At the moment, banks provide clients with statements and balances in non-standardized formats through a variety of tools and solutions. With PSD2, clients will actually be able to decide where and under what conditions they want to access their financial data and make payments. They will obtain a comprehensive overview of all accounts through advanced applications developed by banks and vendors (TPPs);
- Shorter time for order processing, wider choice of payment tools and lower costs;
- Today, majority of payments are processed by intermediaries, what causes increasing complications, raising processing costs and causes a delay in transferring funds from the payer's account to the account of the recipient. With PSD2, the vendors (e.g. online stores, telecommunication companies, energy providers), will be able to make payments directly from a user account. This will provide customers with a wider choice of payment options and enable real time payouts, less transaction fees, and, therefore, a better user experience.

PSD2 Advantages for banks

The key requirement of PSD2 is that banks provide vendors - the third-party providers - TPPs with access to internal IT systems.

Banks may decide to remain passive when these changes occur and make only minimal adjustments. However, a much more active approach is recommended. In this case, banks will prepare a growth strategy, which will take into account the possibilities of accessing the accounts of other banks and cooperation with fintech companies and vendors. By cooperating with companies that have the necessary expertise and solutions in this segment, an innovative bank can offer its users and users of other banks, an excellent user experience of an advanced platform that provides a unique and complete overview of all financial affairs, innovative complementary products and services, and real-time payment for lower fees.

Banks that develop the most up-to-date platforms and provide a very user-friendly experience will have a competitive advantage in winning customers and building partnerships.

PSD2 Advantages for vendors

Vendors can use the PSD2 business model to develop their own payment platform that will help them reduce transaction fees and build a stronger link with their users. This is very important for large corporations that are currently facing high collection costs, their products and services (e.g. telecommunications companies, traders, energy providers, insurance companies). In addition to bank account information, these institutions will be able to provide a comprehensive picture of the users' financial situation through integrated online or mobile portals. In this regard, cooperation with companies that possess knowledge and experience from the banking sector is desirable.

<u>Application of Standards, Information Systems and Legal Provisions</u>

The National Bank of Serbia deals with information systems of financial organizations through the Decision on Minimum Information System Management Standards for Financial Institutions. Some of the main theses from this Decision are:

In accordance with the nature, volume and complexity of operation, a financial institution shall establish an adequate information system which meets the following minimum conditions:

1) possesses functionalities, capacity and performances enabling the provision of suitable support to business processes;

2) provides timely, accurate and complete information important for making business decisions, efficient performance of business activities and risk management, and/or for safe and stable operation of a financial institution;

3) is designed to include adequate controls for validation of data entering the system, data being processed and data exiting the system, in order to prevent inaccuracies and inconsistencies of data and information.

A financial institution shall ensure that all data processing systems important for business operation, including the reporting system, are an integral part of the information system.

4. In accordance with the nature, volume and complexity of operation and the complexity of the information system, a financial institution shall establish, supervise, regularly review and upgrade the process of managing this system, for the purpose of reducing the exposure to risks and preserving the security and functionality of the system, and shall define by an internal regulation, in accordance with law, the authorizations and responsibilities of its management and supervision bodies relating to these activities.

5. In accordance with its business strategy and the nature, volume and complexity of operation, a financial institution shall adopt the information system development strategy. When needed, a financial institution shall amend the information system development strategy, particularly if this is required by amendments and/or supplements to its business strategy.

6. For the purpose of adequate information system management, a financial institution shall provide adequate organizational structure, with a clearly defined distribution of tasks and responsibilities of employees, and/or with established internal controls which prevent the conflict of interest.

7. A financial institution shall ensure the application of all internal regulation and procedures relating to the information system, and shall also ensure that all system users are familiar with the content of these regulations and procedures, in accordance with their authorizations, responsibilities and needs.

8. A financial institution shall adopt and document the adequate methodology to determine the criteria, manner and procedures of managing projects related to the information system.

9. A financial institution shall determine the criteria, manner and procedures of reporting to its competent body about relevant facts relating to the information system functionality and security.

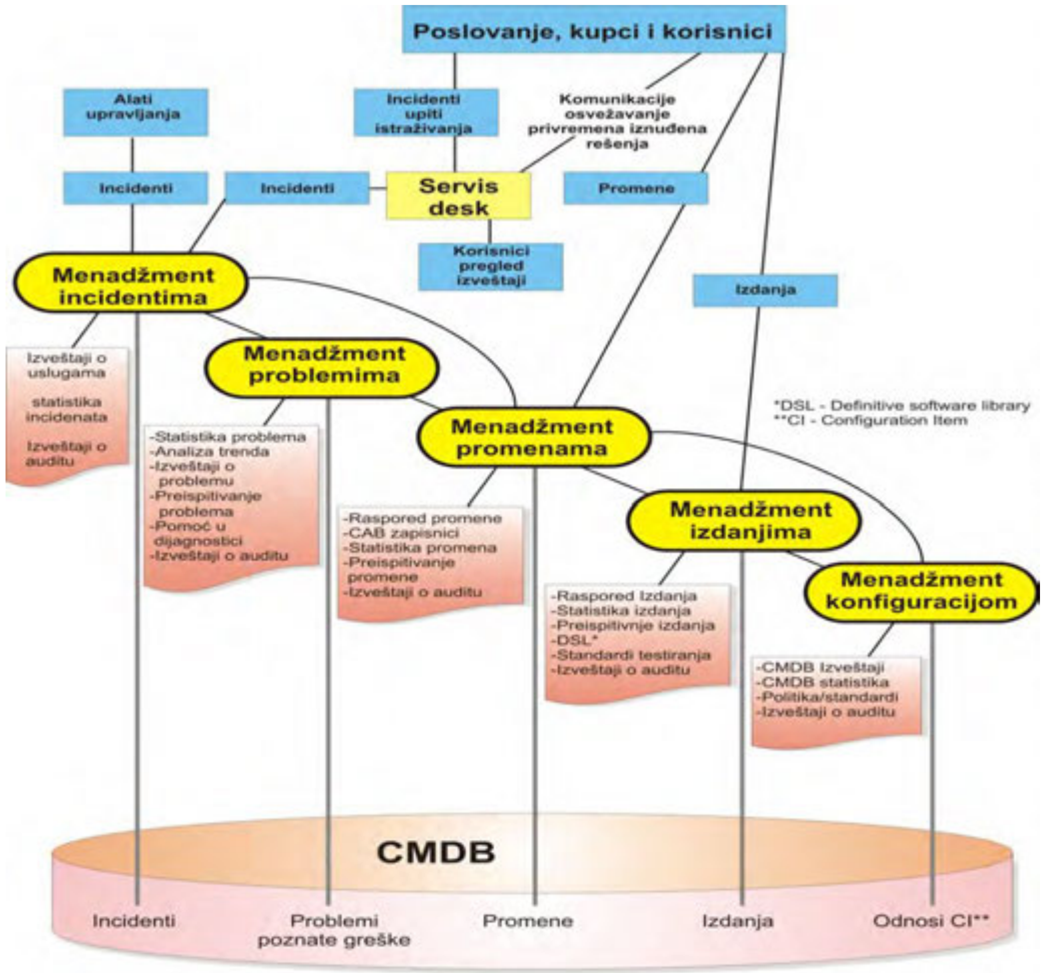


Figure 2 – Processes of supporting IT services delivery

CONCLUSION

The globalization and revolutionary development of information and communication technology and its implementation in all spheres of social life have led to the emergence of automation of business. Neither the banking sector did stay immune to the technical and technological innovations.

Globalization and the internationalization of operations demanded abandoning the traditional way of doing business in the banking sector, which has become bulky, expensive and slow. The application of the latest IT achievements in the field of BIS has led to the creation of new banking products and services that fixed the client in the focus of their interest.

Innovative banking, based on the implemented, latest IT and telecommunication discoveries, BIS, created a whole set of innovative products and services, which, due to great competition, are offered directly to customers in different ways.

ATMs, telephone banking, on-line and off-line banking, the Internet, mobile telephony and other products and services create a set of banking sector offers. Web presentations and other promotional activities along with a range of financially favorable conditions of banking products, will in the future influence clients when choosing a business bank. Automation of banking services enables banks to bring business closer at will and desire of the client, to increase efficiency and achieve certain benefits.

The automation of banking products and services provided clients with a wide range of products and services at their disposal. They are no longer obliged to go to the bank every day. They can carry out their transactions, and other forms of business they independently choose, without time and space constraints.

The scenario of the future banking sector automation development refers to the increase of the online banking stake and its integration on the global level, the growth and development of broadband telecommunications infrastructure, the mobile Internet, multi-channel development and CRM.

Simply, in order to measure the quality of a financial institution information system (IS) and answer the question whether the IS of some financial institution meets all the criteria for the safe, secure and quality way of doing business, the standards in this field, as well as the legislation referring to criteria for managing IS of the financial institution, should be applied.

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Business Development of the Food Industry in the Republic of Macedonia

M.A. Nataša Petrovska
Prof. Dr. Biljana Petrovska

Abstract

Food production is the strategic interest of each country. Therefore, organizing food producers and representing their interests in the function of securing and promoting the food production is of particular importance. The agriculture in the Republic of Macedonia, together with the food industry, employs 10% of the total number of employees and legal entities, accounting for 18% of the total GDP, of which agriculture and fisheries account for only 12% and the food industry 6%. There are 7,100 enterprises in the Republic of Macedonia engaged in food production and processing.

The subject of this paper research is the development of food industry companies from Macedonia, with special emphasis on Dairy AD Bitola and Tikvesh Winery, as those among the largest and well-known companies in the food industry of Macedonia.

Key Words: Food Industry, Food Production, Companies, Development, Research.

* * *

INTRODUCTION

The speed of change in almost all industries has exponentially increased over the past few decades with the tendency of continued increace in the future. Related to this, the fast growing global business environment, the ability to give factual strategic predictions, systematic exploration of new opportunities for growth and institutionalization of continuous efforts to improve internal business practices has turned to be more important than ever. Business development has become a way for top management to set up permanent teams of skilled experts to explore new opportunities for growth and diversification, and to enable the accelerated development of their existing business. Development of business includes activities such as: planning, growth, profit, improving business processes, competitive awareness, and competitive advantage.

Business development involves tasks and processes for developing and implementing growth opportunities within and between organizations. This is related to creating long-term value for the organization, customers, markets and relationships. The business investor is engaged in analytical preparation of potential growth opportunities envisaged by the senior management or the board of directors, as well as in the subsequent supporting and monitoring of its implementation. At the stage of development and implementation, the business developer cooperates and integrates the knowledge and receives some feedback from specialized departments of the organization such as research and development, production, marketing and sales to ensure that the organization can successfully identify growth opportunities.

Food industry buisness development is the strategic interest of every country. The organization of businesses dealing with food production, and representing their interests aimed at securing and promoting food production is particularly important.

Business development should be considered as marketing tactics. The goals include branding, market expansion, gaining new customers and creating awareness. However, the main function of business development is to insure sales to the right customers. Generating long term value opportunities is also very important. To be successful in the business development, a partnership must be built on strong relationships.

Agriculture and food industry in the Republic of Macedonia employs 10% of the total number of employees and legal entities, accounting for 18% of the total GDP, of which agriculture and fisheries accounts for only 12% and the food industry 6%.

MATERIALS AND METHODS

There are 7100 enterprises in the Republic of Macedonia engaged in the food production and processing. Among those numerous companies in the food industry in this country, there are just a few that stand out as leaders in the industry.

By using the method of data analysis, this research is based on the data taken from the Macedonian Chamber of Commerce. These data refer to the two of the best known companies in the food industry in the Republic of Macedonia, and they are Dairy AD Bitola and Tikvesh Winery.

RESULTS AND DISCUSSION

The AD Bitola Dairy started milk production initially in 1952, establishing the first enterprise "Mlekar", composed from several trading companies. At that time, the dairy was processing around 10,000 liters of milk per day. After its recostruction in 1963, the milk production was increased to about 20,000 liters a day. In 1970 the dairy was integrated into the Agricultural and Industrial Enterprise "Pelagonija" Bitola. In December 1984, the dairy was moved into completely new facilities on the road to the village of Dolno Orizari, and since then it has been working and operating successfully at this location. Between 1990 and 1991, the privatization of the dairy capital began and it was fully completed late in 1996.

A new cheese making machine was put into operation in 2006, at the facility of 3,700m^2, with the most modern automated lines for the production of soft, semi-hard and hard cheese.

Late in 2007, AD Bitola Dairy became an integral part of the Danube Foods Group, which is a part of the Salford Investment Fund. At the beginning of 2015, Danube Foods Group took over the private investment fund of "Mid Europa Partners". With this takeover, the Danube Foods Group has been renamed into Moi Brands Ltd. and it includes Bambi-Banat, Dairy Subotica, Dairy Knjaz Milos and Imlek, the owner of several dairies in the region.

Today, the processing capacity of the AD Bitola Dairy is 90 milion liters of milk per year. The Dairy has an intake of 40 milion liters of raw milk per year, out of which 52 milion liters are processed annually.

The AD Bitola Dairy produces more than 77 individual products such as: fresh milk, yogurt, sour milk, sour cream, butter, cheese, semi-hard cheese and 100% juices and nectars.

The Dairy covers 86% of the Maceonian market.

Bitola Diary is the only dairy in Macedonia exporting to the European Union member countries. Its products are also exported to the countries in the region, but to the United States, Canada and Australia as well.

The first mention of "Tikves" in a written document relates to the year 1885, which in turn is seen as the year when it first started organized production and sale of wine in Macedonia. In 1914, the appearance of the disease phylloxera almost completely destroyed the authentic grape varieties such as Zilavka, Stanunshina, Mustenik, Plovdiv, Belerchere, Sljivak…. and devastated the vineyards in the wider region.

However, Tikves wine producers and winemakers gathered and brought some American hybrid grape varieties in order to continue producing wine in the region. Between 1930 and 1940, the production of wine in the Tikves region intensified. It has becom recognizable in the Balkans and beyond, and the products from the Tikves wine region are being sold in Serbia, Albania, northern Greece, Turkey, Egypt and in other meridians.

Macedonia adopted the Law on Nationalization of Private Property between 1946 and 1948. In order to consolidate the production of grapes, wine and brandy, Macedonia founded a state owned company that included all nationalized property, vineyards and wine cellars of famous wine making families. "Tikves" was the name given to this state owned wine company. Then followed a construction of a modern wine cellar with the increased capacity. This state-owned company went through numerous organizational and integration processes between 1952 and 1969. Agrokombinat Tikves was created after adding to it several smaller agricultural farms. The wine cellar in its composition has become the largest cellar in South East Europe. In 1956, the Tikvesh wine archive was established, as a chronicler of excellent harvests.

The "T'ga za jug" wine brand was created in 1973, in the honor of the event "Struga Poetry Evenings", which annually gathers the most famous poets from all over the world.

In 1978, after a multiple increase in wine storage capacity, new central filling plants were built and an automatic filling line with capacity of 6,000 bottles per hour.

Between 1980 and 1990, Tikves strategy focused on "breaking the record" in all segments of the production. In that sense, and as a peculiar consequence of the decision to purchase the whole grape variety from the Tikves region, the winery had to use the town's swimming pool in Kavadarci for temporary storage of grapes in 1984. During that period, Tikvesh had significantly expanded production portfolio. A new series of "Alexandria" wines were launched, which immediately gained a good reputation among consumers. At the same time, an increase in grape production demanded from wineries to increase the quantities of wine production.

In 2003, the investment group "M6" bought the "Tikves" Winery and started implementing a comprehensive investment cycle for the complete modernization of wineries. Special attention was paid to the improvement of the production process as a whole, from grape growing, harvesting to the final product. A whole development strategy was focused on increasing the quality of wine. The winery began to invest in the expansion of the production portfolio by introducing a new series of wines such as "Special Selection" and "Alekandria" so that until recently known and widely-accepted Tikves wines became part of the "Classic" series. In 2008, "Tikves" Winery gained wide international verifications. The brand Tikves was listed as one of the 30 most innovative wine brands in the world at the Wine Innovation Forum in Paris.

In 2010, a new series of "Terroir" wines of "Bela Voda" and "Barovo" were launched, and produced by their own strictly controlled wineries. These wines were named after the micro-regions where vineyards are located and which, according to their characteristics, in terms of climate conditions and land, provide excellent conditions for the cultivation of vines and the production of top quality wines.These wines are signed by one of the world renowned wine consultant Philippe Cambie, who, with his knowledge and experience, helps Tikves to constantly improve its wine and create new sophisticated wines and blends. In 2011, one of the world's best wine critics, Robert M. Parker, awarded 94 points to the "Bela Voda" wine, the harvest of 2010. By giving this remarkably high score, Parker considered this red "Terroir" Tikves wine one of the best and among the most famous wines in the world. "Bela Voda" of 2010, was the first wine from Macedonia and the region that had previously been evaluated by a world renown wine reporter.

A new chapter in “Tikves” Winery development was written in 2014. It was the year when the first wine from the exclusive series was launched, the one produced in the new, small (boutique) winery of "Domain Lepovo". The whole process of production of these exclusive wines takes place at the very place where the vineyards are located, which, with all of its characteristics, is ideal for growing grapes and producing fine wines of excellent quality.

"Tikves" Winery received 50 awards, as well as other recognitions and high scores by world famous wine critics at the world's most famous wine competitions in 2015. With this, "Tikves" Winery confirms the epithet of the most famous wine cellar in the country and in the wider region.

"Tikves" Winery produces a wide range of high quality wines such as:

- Terroir of wines;
- Alexandria;
- Alexandria Cuvée;
- T`ga za jug;
- Classic, and
- Traditional wines.

"Tikves" Winery, as a regional center of wine market, aims to become an active participant in the global wine industry, imposing trends and new standards in the production, sales and promotion of wines.

CONCLUSION

Business development can be summarized as ideas, initiatives and activities aimed at making a business better. This includes increasing revenues, growth in terms of business expansion, increasing profitability by building strategic partnerships, and making strategic business decisions. Activities related to business development extend across different departments, including sales, marketing, project management, product management and vendor management. Networking, negotiations, partnerships, and cost-savings efforts are also involved. All these different departments and activities are driven by and aligned to the business development goals. Due to the wide open scope of business development and activities, there are no standard practices and principles. Ranging from exploring new opportunities in external markets, to introducing efficiencies in internal business operation. Those involved in business development need to come up with creative ideas, but their proposals may prove to be unfeasible or unrealistic. It is important to be flexible, to seek out and take constructive criticism.

It may be difficult to define concisely the essenced of buisiness development, but it can be easily understood by using a working concept. An open mindset, willingness for an honest and realistic self-assessment, and the ability to accept failures, are a few of the skills needed for successful business development. Beyond coming up with an idea, implementing and executing the business development idea, the end results are those that matter the most. The bright minds in business development should be ready to adapt to change in order to achieve the best results.

Food companies are the subject for permanent learning and research to achieve accelerated economic growth as a place that creates opportunities fot the increase of employment and competitiveness of a country. The private sector is regarded the main driver of the economy in any developed country.

The national policy of Macedonia is based on the membership in the European Union (EU) and the World Trade Organization (STO). Since Macedonia aims to become a member of the EU and STO, the food industry needs to be prepared for competition in a developed market that will be free from trade barriers.

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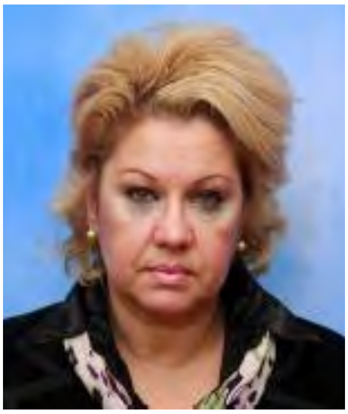

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Development of European Management, Business and Marketing with Focus on Postal Sector in Central and South-East Europe

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Abstract

The globalization of economic activities, technological innovation and accelerated informatization, i.e. computerization, are leading to requisite changes in the postal sector both in the EU countries and in those currently in the process of joining the EU. The rapid development of technology, the need for greater diversification of services, the ever-increasing competition, and the inability of postal services to respond adequately to rising market demands, have led to the need to restructure the postal sector. The postal sector restructuring strategy must necessarily be directed, on the one hand, towards responding to market demands, and on the other, to implementing measures necessary to solve the problem of the postal administration status. Postal service operators should adapt to an ever changing environment, where electronic communication is at an advantage. In order to successfully position the company on the market and its further development, besides having substantial knowledge in the field of strategic management and marketing management, it is also necessary to know about the cultural characteristics of the world in which we live and do business.

Key Words: Globalization, Liberalization, Deregulation, Competition, Restructuring, Marketing, Strategic Management

* * *

“Play global, act local, think postal”

1. INTERNATIONAL FRAMEWORK FOR POSTAL SERVICES MARKET DEVELOPMENT

The postal service market has been experiencing major changes over the past twenty years, mainly due to the rapid development of new technologies and the growing needs of users, which has become a new challenge for governments, who are expected to define new competition rules. Postal services offered by public and private operators have passed through a period of rapid and fundamental development. Progress in electronic communications, information processing, and transmission systems have caused major changes in the supply chain and demand for postal services.

This market development is accompanied by legal and institutional changes leading to the creation of a single European market. Parallel to the progressive liberalization of the postal market, it is important to ensure the development of fair competition in this market. Postal services represent a vital part of the infrastructure of the society, which is also the basis for the financial services development.

Due to the increasing demands of users and the growing number of private operators interested in participating in the postal services market, the governments of the World Postal Union and the EU member states are faced with the challenge of responding urgently to these requirements through the implementation of structural institutional and legislative reforms of the postal system.

World Postal Strategy

All countries of the world are networked through one of the oldest international organizations in the world, the Universal Postal Union, a specialized United Nations agency based in Bern (Switzerland), founded in 1874, with the mission of establishing and promoting multilateral cooperation and ensuring the successful functioning of postal traffic, on the one hand, and contributing to the achievement of higher goals of international cooperation in the cultural, social and economic spheres, on the other. The alliance currently includes 192 member states, 29 of them coming from industrialized and 163 from developing countries, all of them united in order to provide unique and high quality international postal services.

The basic principles of this regulation are: the unity of the postal territory, the freedom of postal transit and the unique principles of setting tariffs for international postal services. The Universal Postal Union with a network of 670,000 units of the postal network around the world, and 5.4 million employees is the world's largest distribution channel that processes and delivers 381 billion letters annually, 6.1 billion packages and 51 million EMS shipments annually and whose total annual revenue of $331 billion.

The mission of the Universal Postal Union is to encourage the permanent development of efficient and accessible universal postal services according to a certain quality standard in order to promote communication among the citizens of the world. The Universal Postal Union will guarantee the free flow of postal items through a unique postal territory comprised of interconnected networks, encourage the adoption of common standards and use of new technologies, promote the creation of partnerships, and promote effective technical cooperation among stakeholders, thereby ensuring satisfaction of growing client needs.

The new postal strategy defines the vision of the UPU so that “the Postal sector is recognized as a basic component of the global economy”. In this way, the postal sector is placed at the heart of the world economy, which makes it the backbone of economic growth and development of the states, members of the Alliance.

The motto of the Universal Postal League Congress, held in Doha in 2012, reads: **“Play global, work local, think postal.”**

PostEurop Association Strategy

PostEurop is the association of European public postal operators. Currently its 52 members collectively operate a network of 175,000 retail counters, employ 2.1 million people, serve 800 million people a day, and participate with 30%-40% share in the total world postal traffic. Through its activities, PostEurop strives to establish a common platform on which the postal network of integrated European operators will be based, with the task of helping its members through the development and application of new technologies. The new strategy recognizes Post-Europe as an association of representatives of the postal industry in Europe that provides them with the necessary expertise and support, while at the same time, it is committed to fully supporting and developing a stable and competitive postal services market, which will provide an equal access for all participants.

PostEurope strategy resides on four pillars and three lines of support in the form of providing for communication, intelligence and resources:

- Legal, by creating legal environment that assumes creating a legal framework in line with demands and interests of its members;
- Social, by providing support to fulfilling social demands of its members;
- Operational, by giving support to the development and harmonization of quality standards, as well as to the exchange of experience among members;
- Market, by supporting the development of the postal services market through promoting cooperation in order to provide users with better services.

2. EUROPEAN FRAMEWORK FOR POSTAL SERVICES DEVELOPMENT

The European Union creates a single market through a system of laws applied in all member states, and which guarantees the free flow of people, goods, services and capital.

In accordance with the postal services market development policy of the European Union, as of 1 January 2013, public postal operators and other private postal operators provide postal services to users on a fully liberalized postal services market, under the same conditions, and on the basis of licenses issued by the relevant regulatory bodies.

Legal Status and Ownership Structure of Public Postal Operators

The legal status of the universal postal service operators takes the form of state-owned and private companies, performing their activities as limited liability companies. The regulatory framework for the provision of postal traffic has enabled the emergence of competition, first in the segment of international, package, express, and courier shipments, in order to start developing competitive markets of direct mail, publications and postal items.

During the course of the EU postal market liberalization, the trade and competition barriers were reduced creating opportunities for new operators to enter the postal market, which had previously been reserved for Public Postal Operators (PPO) only. Common characteristics of the postal market in all countries are: reducing the market share of PPOs in the segments of packages, express, logistics and international shipments – as most profitable postal segments, developing business networks of private operators UPS, FedEx, and PU of Germany, the Netherlands, Austria, Switzerland, Norway and France through the development of international distributive networks, and occupying positions and substantially participating in the segment of the international postal market.

Over the past twenty years, there have been more than 100 acquisitions, associations, joint ventures and partnerships registered in the field of postal traffic between private operators and/or PUs, both locally and globally.

Future Directions of Postal Services Market Development in European Union

Globalization

The globalization of national economies caused both public and private postal operators to have expanded their business beyond national borders. When the EU member state governments adopted policies that reduced trade and competition barriers, the opportunities were created for new participants to enter the market and jeopardize the existing operators. In some countries, public postal operators have bought international courier and packing companies to globalize their business.

Liberalization / Deregulation of Postal Market

Globalization and liberalization of postal markets have brought about major changes in the postal sector. Significant increases in the trade of goods and services have contributed to a greater connection of economies. The liberalization of the market also resulted in the abolition of previous barriers that existed in the trade exchange of goods and services, as well as in competition, with a much higher range of quality and products that became available to customers. This is also caused the increase of the area of postal activities open to competition.

New Technologies

New technologies such as email, hybrid mail and the use of the Internet, as a means of communication, represent the main threat to the traditional physical flow of information. A significant number of public postal operators are therefore trying to gain share in these postal exchange swaps and thus avoid losing revenue and preserving their centuries-long position as the main bearer of information exchange between different parties. In addition to the threats they encounter in their traditional markets, public postal operators also face the opportunities provided by these new technologies. The biggest opportunity arises from the growth of electronic commerce and the delivery of small packages to populated areas.

Postal Sector Today, in European Context

Postal services in Europe have a long history. They are a key part of the modern communication sector. Nearly 800 million Europeans and consumers demand a well functioning postal service market. In European terms, it is a market worth €88 billion and over 2 million jobs. It is a true service of general economic interest, which is the actual reason for initiating the postal reform.

The governments of European states currently consider the postal sector as an essential component of national infrastructure that promotes and supports the economic growth and social development. In this time of change, the postal sector must also become more open, more competitive and more customer-oriented. It is important for postal operators in this field to initiate regional and international development. The sector, therefore, has to respond to changes, while at the same time, it gets ready to take advantage of new opportunities.

The key objective of the postal reform is an extremely high quality, efficient, innovative and sustainable postal sector, adapted to meeting the needs of customers in the 21st century. Opening the market is not an end in itself. It is the means by which the goals of the reform are achieved.

Reforming Postal Sector in EU

The postal sector reform process has started in the EU as an integral part of establishing a common market. Within this process, national postal companies managed as state-owned enterprises are incorporated and registered as companies within civil or commercial law. Although the conditions among countries differ, the change is generally directed to:

- Establish greater independence of postal administration to respond to increasing national and international competition, replacement and development of cross-border markets;
- Change the legal status in order to enable setting up joint enterprises and strategic alliances and partnerships of alliances with the private sector;
- Increased use of technology to enable more affordable universal postal services and competitive commercial postal services;
- Development of value-added services through shifting from “narrower” transport to “Supply Chain Management”;
- Participate in providing e-services (e-commerce; e-government, and the use of EDI and ICT in mail processing and support processes).

Postal services markets in Europe are expected to change significantly by 2020. Although the existing operators are struggling with their own improvement in productivity and quality, some new market participants show a surprising success by developing services that reflect the lower demand for urgent postal delivery. This means that there is a need for further change of the business models of current operators, where the postal model would have to combine low costs with high reliability and delivery speed.

E-commerce Market in Europe

The total Gross Domestic Product (GDP) in Europe amounted to €16 trillion in 2012, while the share of the e-commerce was estimated at 3.5%, the percentage predicted to double by 2016, and triple by 2020. The number of jobs created directly or indirectly as a consequence of the B2C e-commerce is estimated at 2 million. A number of B2C websites have grown to 550,000 by the year-end 2012, growing by 15% to 20% per year. The number of packages delivered per year on the territory of Europe is estimated at 3.5 billion.

The largest e-commerce markets in Europe are the markets of Great Britain, Germany and France. The European Commission initiated a series of consultations on the Green Paper on an integrated market for the delivery of packages for the purpose of e-commerce development, and in December 2013 it published the document “Roadmap for Completing the Single Market for Parcel Delivery”.

Legal Framework

In the context of rising global and integrated markets, there is a growing need for coherent and relevant international regulations in certain sectors, for example in the area of international cross-border trade and financial services. Universal Postal Union, as a specialized agency of the United Nations, should be recognized by all other international regulatory bodies as an organization that represents the uniqueness of the postal sector. At the 2012 Doha Congress, the following resolutions were adopted: Resolution C11 on the Trade Promotion for Micro, Small and Medium Size Enterprises, Resolution C31 on E-commerce Development, Resolution C23 on the of e-commerce services development through redesigning the low-mass package, and Resolution C34 on unregistered small deliveries of up to 2 kg, containing e-commerce shipments, as well as C77 Resolution on electronic postal services.

Necessity of Accelerating International E-commerce Services

Actions undertaken with the aim of fostering international e-commerce also support the development of trade and economic development. Indeed, e-commerce opens the doors to governments in all countries of the world, especially to those form developing and underdeveloped countries seeking to promote trade and economic activity in remote areas. Being communities, they are connected to the world through technology, and the postal sector can help them to capitalize on the potential of this new connection by alleviating the e-commerce.

The Universal Postal Federation seeks to encourage the postal service operators to respond to the rapid growth of e-commerce. There is an immediate opportunity for traditional postal services to grow, such as small packages and packages. However, these efforts need to be better coordinated, including work on the harmonization of existing postal and parcel services in line with the needs of users and market demands. A deep postal supply chain must be compatible with the requirements of the e-commerce service.

E-commerce represents a great challenge and development opportunity for all authorized postal operators who need to design an e-commerce service along all three dimensions of the postal network, physical, electronic and financial, ensuring the entire supply chain and enabling the entire service cycle, starting from receiving electronic orders, physical delivery to the user's home address and electronic payment method.

New Technology, Internet and User Power

The Universal Postal Network includes over 660,000 post offices in 192 countries, and it is the largest distribution channel in the world that enables its users to have direct access to international markets, helping them avoid a large number of unnecessary intermediaries. By revitalizing the trade infrastructure, it can help micro, small and medium-sized enterprises (SMEs) to take advantage of the globalization of trade. In addition, along with post offices that can be used as telecentres, postal networks are a key element in bridging large gaps in information and communications technology infrastructures of underdeveloped countries, thus stimulating their economic growth and development.

Since new technology and innovations are rapidly transforming the needs of buyers and corporate behaviour in the global postal market, a clear strategic plan is needed as an adequate response to these global turbulences. The latest 2016 Istanbul Strategy foresees a number of goals and programs in order to implement the Universal Post Alliance mission aimed at achieving a vision aimed at putting the postal services sector at the heart of the global economy by drawing attention to the role of postal services in stimulating international trade, for micro, small and medium enterprises, SMEs. The business sector, with its physical, electronic and financial capabilities, is ready to develop partnerships to ensure greater openness to international trade. The regional approach to the development and initiatives of the Universal Postal Union, such as the Integrated Postal Reform and Development Plans, which should provide greater commitment of member state governments to the postal sector, is in line with the necessary initiatives aimed at helping developing countries take advantage of simplification and facilitate global trade. Postal networks offer local access to global logistics solutions for international trade. The Alliance, with its standards, helps in the creation of new services to facilitate shipping and fast delivery of goods purchased online, worldwide.

Postal Market Development through Facilitating Trade for Micro, Small and Medium-sized Enterprises on Global Scale

The ability of micro, small and medium sized enterprises to make a breakthrough in foreign markets through e-commerce is a matter of interest for all postal operators, users, trade associations and government officials. Some postal operators have gained a cutting edge by providing their users with access to their online e-business platforms. However, many postal organizations have not yet developed their own e-platforms. In addition, this solution is not possible for all postal organizations, especially those in developing countries. The best solution for operators who want to break through IT barriers and serve as an e-commerce platform is to join a common platform of the Universal Postal Union (e.g. the post).

In a very short time, postal operators should strive to facilitate trade by providing services related to their core business: reception, storage, transport; monitoring; payment services (e.g. collecting on delivery); opportunities for optional delivery (e.g. flexible delivery, alleviated customs clearance, return shipments management), etc. Clients of micro, small and medium sized enterprises should be provided with basic postal services along the entire supply chain, and the skills and capacities of the service provider should be in line with their needs. Postal operators should position themselves as reliable and valued partners for domestic and international clients and initiators of the cross-border facilitation procedures development.

3. STRATEGY AND BUSINESS OPERATIONS OF MOST DEVELOPED POSTAL OPERATORS IN EUROPEAN AND REGIONAL COUNTRIES

Postal networks are large physical networks that historically support national economies and regional growth. Even in the digital world, someone has to deliver goods. Therefore, operators, and especially the traditional ones, due to their size and market role, should consider ways to adapt not only to the deregulated market, but also to the market that radically changes. This can be done by reorganizing their services and workforce, by taking a new approach to customers, and by developing new services and products. There is a large potential of the competitive market and it can be useful for traditional universal service providers, provided they are appropriately adapted. The most striking trend of today's business is growing globalization of markets for goods and services around the world. Competition is developing globally, companies have concluded that they have no other option but to engage in and adapt their business to the requirements of the world market. The EU Member States have largely implemented legislative reforms in the field of communication aimed at:

- Separating the function of regulators in the communications market from the function of the operator in order to ensure the equal conditions on the market for all participants;
- Transforming the traditional postal public operator by changing its legal status so that it can meet the needs of consumers, while simultaneously providing the universal postal service, with more flexible operations;
- Removing obstacles to development of the free market, which is in line with creating a single European economic space, while respecting the Universal Postal Union principle: “One World – One Postal Network”;
- Placing the clients and their needs at the center of attention of postal operators.

The internationalization of business requires adequate strategies for achieving the established goals, and management is called upon to define these strategies and adapt them to doing business under new conditions. This section will deal with presenting three European successful postal companies operating on a liberalized postal services market and making profit, despite the obligation to provide universal postal services imposed by the government. Key business values should be in the focus of successful postal companies in order to secure a clear and focused organizational goal and strong common culture.[1]

Strategy and Postal Business in Austria

The national Austrian postal operator, Austrian Post (Osterreichishe Post AG) is the leader in the postal services market. The Austrian Post, Osterreichische Post AG, was established in 1999, as a joint-stock company, with its shares have been listed on the Austrian Stock Exchange since 2006. The Austrian state still owns 52.8% of shares of the Austrian Post. The Federal Ministry of Transport, Innovation and Technology is responsible for the postal traffic affairs, while the obligations of regulating the market are under the jurisdiction of two regulatory bodies, namely the Commission for the Control of Postal Traffic and the Austrian Regulatory Agency for Broadcasting and Telecommunications. The Postal Control Commission is an independent body, which is not bound by the instructions or directives of any state authority. The chairman of this body is the judge of the Supreme Court of Austria. The competencies of regulatory authorities are limited to the regulation and control of the implementation of universal postal services.

[1] Milija Zečević, Management, pp45, Belgrade, 2008

Since 1 January 2011, the Post office of Austria has been operating on a completely liberalized postal service market, in accordance with the Directives on the development of the postal services market in the European Union. The Law on the Postal Market was adopted by the Austrian National Council on November 18, 2009, and entered into force on January 1, 2011. The primary objective of this law is to create a single postal service market while ensuring universal postal service of high quality. As of January 1, 2011, subsidies and fees for the universal service of the post office of Austria, which remain the national universal postal service provider, have been abolished. The postal market law defines a minimum number of 1,650 postal branches, as well as the parameters of the density of the access points that are binding on the Austrian Post.

The European medium-sized company, the Post of Austria, has completely ended the restructuring process, and based on this it managed to take a key position in the liberalized postal market of Austria. The process of separation from telecommunications was completed in 1999, when the Austrian Post became a state-owned joint-stock company. The same year, the management of this postal administration started the process of restructuring, focusing on its own strengths related to the process of improving the value chain in all organizational, technological and personnel structures. In that period, the Post of Austria had a diversified and dense postal network that was restructured according to the model of outsourcing, as well as by moving post offices and counters to more attractive locations. At the same time, this administration optimized the service assortment, modernized and computerized technological processes and increased the level of expertise through the education of employees. In the second phase, this operator introduced professional cost management, rationalization and automation of sorting centers, optimized transport processes (separated transport from transport packets between sorting centers), defined and introduced flexible working hours of employees, resulting in an increase in total productivity.

Mission and Vision of Austrian Post are defined as follows:

- “Austrian Post” delivers values: reliably, personally, and confidentially;
- It is the right choice for its clients, partners, and employees – yesterday, today and tomorrow;
- It is the leader in providing the postal and logistics services in Austria.

Everything that the “Austrian Post” does is in the interest of its clients:

- It has set standards in terms of quality and is focused on consumers;
- It takes criticism of its clients seriously, and sees them as an opportunity for its improvement;
- It uses its advantages to the benefit of its customers, and advocates for reliability, efficiency and privacy beyond national borders;
- Provides customers with clear and precise service guarantees;
- Designs its products and services so that customers find them simple and easy to understand;
- It guarantees the reliable and comprehensive postal services in Austria;
- The “Austrian Post” focuses on the future, on the results that will secure its position on the market, and protect the future of the company as one of the most important employers in the country;

Four Strategic Cornerstones of Austrian Post:

Market Leadership and its Defense

“Austrian Post” is the undisputed market leader in Austria, both in the letter mail segment as well as in the transport and delivery of parcels, particularly to private recipients; Austrian Post regains confidence by fulfilling promises.

Growing in Selected Markets

“Austrian Post” continues to pursue growth in selected segments, and the priority is on the Parcel and Logistics Division. By enhancing efficiency and increasing flexibility of the cost structure, “Austrian Post” plans to significantly increase the improvement of the distribution network, further expansion of the branch network and targeted cost reduction in administration costs.

Strengthening Innovation

“Austrian Post” will only be successful in the long term if it can adapt its service offering to the changing needs of its customers. For this reason, the company will develop innovation throughout its business system. This includes an online initiative designed to increase the convenience of conventional postal services and new digital products in the field of electronic services. With around 620 branch offices, 1,250 franchises, and about 22,000 employees, the Austrian Post, in 2016, generated revenue of $2,030 billion, while the profit was $152 million. Some €106 million was invested in 2016 in the development of logistics and new services.

Internationalization, i.e. Expansion to Other Postal Administration Markets

Internationalization is one of the main strategic objectives of the Austrian operator, i.e. the expansion to the markets of other postal administrations. First of all, the strategy of the Austrian operator is to expand into the territory of the southern and eastern neighbors. The company has the right to engage in all business activities and take all necessary measures as well as measures useful for business purposes, without limitation, including the purchase of real estate for the construction of branches, both in Austria and abroad, as well as participation in other companies.

Strategy and Postal Business in France

The French Post, Le Groupe La Poste, has been operating as a limited liability company since 2010, with 100% state-owned shares and is the largest postal operator in Europe with 260,000 employees and 17,000 postal network units, and achieved €23.294 billion in revenue in 2016. The French Post is at the same time a profitable and socially responsible company. Employees in the French post office are legally guaranteed the status of civil servants.

In 2014, the French Post adopted the new Strategic Plan “La Poste 2020: conquering the future” for the period between 2014 and 2020. The mission of “La Poste” is to be a true partner to each client by providing a wide range of solutions, products and services, with a professional approach.

The vision of “La Poste” is to become the leading group in Europe by fostering trust through the belief that the contribution to each individual contributes to the entire society, and that by listening to its customers, it provides realistic solutions for real needs.

One of the main goals of the Strategic Plan is further work on the modernization of the concept of public missions and the introduction of new public missions in accordance with the needs of the French state and its citizens.

The concept of “public missions” is a unique concept in the European Union, accepted both by the post offices of France and the French state. In addition to the obligation to perform a universal postal service defined by the "Law on a public post office of France and its postal activities", which refers to the organization of the postal service of France, the French Post defines three public missions that the Federal Mail has to fulfil towards the citizens. The first mission allows every citizen to open an account and pay and raise extremely small amounts of money from a post office account in the value of €1.5 and more, which is a form of support for the poorest part of the population. The second public mission relates to the distribution of newspapers and magazines throughout the territory of France at a price fixed by the government, and the third public mission relates to territorial management and planning that presupposes postal network maintenance, while respecting accessibility and quality rules. For these three public missions, the post office of France concludes with the Government of the Republic of France a multi-year contract defining the obligations of the French Post for the implementation of these three missions, while the French Government accepts to pay the postal fee to the French post on an annual basis in the name of the costs incurred by the fulfilment of these mission. One of the main tasks of the French post is to encourage the continuous development of a quality, efficient and affordable universal postal service for all residents of the country, taking into account the fulfilment of the growing needs of postal service users, with the acceptance of quality standards and affordable prices. French post, performing services of general interest, is one of the main pillars of the French society and the state.

The values of “La Poste” are:

- Accessibility: “La Poste” services are open to everyone ;
- Availability: Services are available to clients wherever and whenever necessary for them;
- Closeness: Close relationship with clients, based on communication and respect;
- Equality: The level of service is the same for all clients;
- Encouraging social development: at the economic, ecological and social level.

The ambition of “La Poste” is to become the European leader for multi-business model by 2018, based on closeness, trust and communication with clients.

Universal Postal Service:

“La Poste” aims to provide the best social and economic solutions, based on the principles of equality, continuity and flexibility. It is committed to providing services across the country, meeting with fixed quality standards. All “La Post's” download and delivery services are available at affordable prices and with the guaranteed delivery every working day, except in extraordinary circumstances.

Sustainable Development:

“La Poste” has presented an ambitious new plan to support the sustainable development:

- Job security: “La Poste” supports long-term employment through indefinite contracts, as well as training for all of its employees;
- Good working conditions: Health and safety at work are one of “La Post's” top priorities;
- Respecting diversity: Available to everyone and everywhere, “La Poste”, as an employer, reflects social diversity and equal opportunities for everyone.
- Equality: In the past 10 years, the share of women in the workforce has increased from 46.3% to 50.5%. “La Poste” is the company with a structured framework for expanding equal opportunities at all levels: training, work fees and promotion.

- Improving communication: “La Poste” carries out a responsible policy. It has organized a decentralized system to help local market communication, and it participates in regional projects.
- ”La Poste” is actively cooperating with other postal service operators on promoting the sustainable development, as well as in the struggle against the global warming.
- Fostering solidarity: Every year “La Poste” supports the funds for raising consciousness, such as the “Telethon” and the “Yellow Coins Fund”.

In 2007, there was an initiative introduced with the “Absence Fund”, providing staff with an opportunity to freely take a leave to participate in humanitarian missions:

- Environment protection: Struggle against pollution: “La Poste” organizes its own transport and sets priority on the least polluting forms of transport, where possible;
- “GeoPost” and its branch offices are devoted to the struggle against carbon emission and implement measuring carbon emission when delivering each package;
- “DPD Germany” has set up and operational team called “Living Future”, while “GeoPost UK” appointed “Green Council”.
- Intelligent construction: “La Poste” integrates ecological criteria in the construction and renovation of its facilities.
- Eco-transport: “La Poste” offers eco-driving training for its 60,000 mailmen and mailwomen. At the same time, “La Poste” is building a fleet of electric vehicles for collecting and delivering mail in urban areas;
- “La Poste” is the French leading employer, with a total workforce of 260,000 professionals;
- All deliveries and billing services from "La Poste" are offered at affordable prices and guaranteed every working day, except in extraordinary circumstances.
- “La Poste” generated income of €23,294 billion, while the achieved profit was €849 million in 2016.

“La Poste” has been active in five areas: letters and packages, currier services – Geopost, financial service – Bank Postale, postal networks and digital services.

Strategy and Postal Business in Slovenia

The Post of Slovenia ltd. (Slovene: “Posta Slovenije”; PS) is a state-owned company, an authorized postal operator of the Republic of Slovenia, responsible for providing universal postal service throughout the territory. The main activity of the PS is the receipt, transfer and delivery of postal items in Slovenia. Post of Slovenia was founded after the split of the former joint venture of PTT Slovenia into the Post of Slovenia and Telekom Slovenia in January 1, 1995. The transformation of the Public Company into the Limited Company Post of Slovenia was carried out in July 2005, and currently it is 100% owned by the state. Certain postal services are provided in cooperation with foreign partners in order to improve the scope and quality of services.

The mission of the Post of Slovenia is to ensure development as well as high-quality, competitive and reliable provision of postal, logistics, electronic postal services and also of postal information and communication network use. In addition, the PS mission is to contribute to the national development on demographically vulnerable areas, and the satisfaction of Slovenia’s citizens using postal services. The vision of the PS is to be the primary and largest provider of the postal and associated logistics services, as well as to develop employee commitment and loyalty, invest in their knowledge and ensure their social safety.

The public postal network in Slovenia, based on the most recent data of the Universal Postal Union, consists of 554 units of postal network and four processing centers. With 5,500 employees, the Post of Slovenia is one of the largest companies in the country.

According to business data for 2016, the Post of Slovenia generated operating income of €215,586,000, while the profit was €8.2 million.

Predictions for 2015 - 2020

According to currently observed trends, there seem to be two possible scenarios for public postal operators positioning on the market in Europe worth considering:

Status Quo: the scenario that fails to anticipate any significant changes to existing public postal operators. They will lose a certain part of the market due to new competitors and will have to face a slow but steady decline in the number of first-class shipments. Since most of the existing public postal operators will be able to compensate for the loss of revenue by further increase in productivity and the development of new value added services, the level of profitability is predicted to remain at the current level.

Strengthening the competitive postal market: the scenario predicting that significant challenges for public postal operators can be expected in the liberalized market. Not only will they face over 20% of the loss of market share, but also the erosion of the price of the most profitable segment of the product: first class shipments (correspondence mail). For all group shipments (approximately 50-60% of correspondence items), significantly lower prices can be offered by low-cost postal operators.

Although national markets differ in some aspects, a typical scenario for a slow, reactive existing operator might look like this: stagnation of the total volume of the postal shipments market; a slight transition from correspondence to direct mail; drop in market share for the existing operator from almost 100% to 80%; drop in the average shipping cost of about 20% compared to the current level. For proactive operators, however, growth scenarios can occur, especially for those working in a low-cost environment and entering other markets in the EU.

4. CONCLUSION

Facing the growing and unstoppable wave of liberalization that has affected the postal services market, it is extremely difficult to maintain a satisfactory level of universal service and at the same time develop a competitive concept of the postal services market in accordance with the interests and demands of the clients. It is necessary to ensure that the adequate laws and accompanying regulations provide a clear distinction between roles of the promoters of postal services and proposers of its development, the authorities responsible for regulating the market and postal operators. The reorganization of the national postal system assumes the focus of the state primarily on the protection of the interests of clients, either private or legal entities, as well as providing equal and fair conditions for all market participants.

The postal system represents a vital part of the society infrastructure, as a basis for the development of economic, cultural and social activities, as well as the basis for the development of financial services. Due to the increasing demands of users and the growing number of private operators interested in participating in the postal services market, the governments of the member states of the Universal Postal Union and the European Union are facing the challenge of responding to these demands urgently through the implementation of structural institutional and legislative reforms of the postal system.

Most postal administrations have taken steps to implement structural reforms, adopting a more dynamic corporate governance method, with the principle of self-financing and a modern method of conducting and managing human resources. The member states governments are confronted with the necessity of creating a legislative framework in which postal administrations, in the conditions of a liberalized market, will compete with private operators, with the quality of their services and efficiency. Changing the legal status of the Post is the initial change on the path to its transformation into a modern enterprise with a place and a role in the society which it deserves.

Postal operators are undergoing restructuring processes and further deregulation that will prepare them to enter the open market in the days to come. This will further enable the creation of quality staff within the universal service provider as well as the creation of new jobs with other operators. It is the operator's obligation to take into account the social aspect in the further opening of the postal market. Increasing competition will require the postal sector to improve the quality of postal services and meet customer requirements. The postal network in rural areas and inaccessible regions has a very important role in integrating businesses into the national and global economy through the unification of social and business relationships. This further aims at developing an infrastructure network that will provide new electronic-communication services to rural users.

The tough and highly competitive market conditions caused defining the Post status and implementing postal reforms a major challenge for governments and postal administrations, who need to find the right formula for positioning the postal service in society, which on the one hand should compete with private operators in the liberalized postal services market, and, on the other hand, to continue its social function by taking care of both its employees and all its citizens on its national territory.

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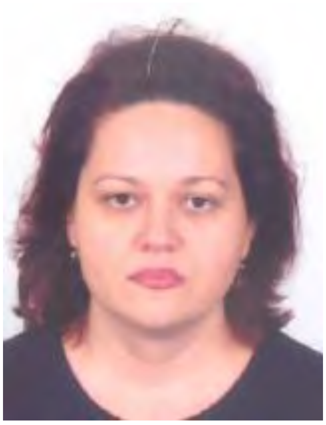

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Zepter International, Belgrade, consulting services to existing users, team forming and leading, managerial work. Petroleum Industry Of Serbia, NIS-Petrol, Belgrade HR Head Office, employee relationship sector.

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Possibilities of Organic Food Production Development in Central and Southeast Europe with Special Reference to Serbia - Business Approach

Ivana Ašanin

Abstract

The organic food production project primarily involves the association of producers, the control and certification of organic products.

ORGANIC AGRICULTURE AND BUSINESS
Developmental tendencies in the field of agriculture in the modern world in recent years have increasingly included the environment and human health protection as the key considerations of the third millennium. At the same time, these contents are the starting point for capitalization and provide space for the new profitable products development, aimed at reconciling the areas of economy and ecology.

Organic farming is currently one of the most propulsive branches in the world economy. When the principle of circular economy is applied to the field of agricultural sustainable development, it basically consists of the philosophy of organic farming. Europe has focused its endeavours on circular economy, at the same time integrating cleaner production.

The circular economy is highly effective and profitable because the entire process is based on agricultural production, on processing the agricultural waste in the production chain, which monitors the natural flow of matter, as it happens in the nature, without disturbing any of these natural cycles.

Organic agriculture is focused on the future and further development, not only from the aspect of environmental protection and improvement of human health, but also from the standpoint of economic prosperity.

In the last ten years, the production and processing of organic products has become increasingly popular and economically significant. This is understandable since the measures and procedures used in the conventional production aim to increase productivity. However, such procedures endanger the future level of production as the conditions that would contribute to long-term fertility maintenance are being destroyed.

Key Words: Organic Agricultural Production, Energy Efficiency, High Profitability, Viability of Multistage Agricultural Production, Odaira Keikichi, Sustainable Development, Minimization of Waste, Circular Economy.

* * *

Organic production is a production method that emphasies the wise use of resources, environmental protection, health and safety and it is in line with the concept of circular economy.

Organic agriculture directly contributes to the preservation of ecosystems and the restoration of natural resources, rural development, and opposes the trend of neglecting and abandoning fertile land. Organic agriculture leads to stabilization of farmers' income by entering a new, growing market of a healthy food industry.

Organic Agriculture and Ecology

The development of organic agriculture can contribute not only to a significant reduction in gas emissions and greenhouse efect, but also to the reduction in the use of transport fuels, fertilizers, and protection of chemical plants. On the other hand, the adequate rotation of crops, which provides rapid infiltration of water during heavy rains, reduces water pollution and the secretion of nitrates in groundwater, reduces erosion by wind, water and excessive discharge contributes to mitigating climate change, while adapting to climate change in itself which is the basis for adapting agricultural systems to climate change.

Organic farming has shown that it:

- Increases the fertility of the soil and thus the productivity, both in the middle and in the long run;
- Improves the soil structure and its ability to retain and filter water, resulting in a significant reduction in irrigation requirements and a reduction in the impact of droughts and floods;
- In addition, the use of organic farm energy is reduced by one third compared to conventional enterprises due to lower dependence on fossil fuels.

Organic Agriculture, Health and General Well-being

Nutrition related diseases are among the biggest problems that the world faces in the coming years. Many of the benefits of organic agriculture derive from the establishment of an ecological balance between land, plants and animals, which leads to a higher quality of goods produced from them. Organic dairy products most often contain more polyunsaturated fats, more omega-3 fatty acids and a better ratio of omega-3 and omega-6 fatty acids; organic cultures have up to 90% more vitamin C, significantly more secondary metabolites with antioxidant properties and, more importantly, contain much less residues of pesticides, nitrates and toxic heavy metals.

Even though the exposure to such harmful substances has been drastically reduced, it seems that the organic nutrition is less connected to alergies, with numerous proofs of confirmed higher level of immunity to certain deseases of children and animals. There is a growing number of scientific evidence that the organic diets reduce the occurrence of cardiovascular and neuro-degenerative diseases, as well as certain carcinomas, especially if these diets are associated with special nutrition that suggests the increased consumption of fruits, vegetables and whole grains of cereals.

Organic Agriculture and Ethics

Organic agriculture promotes cautious and responsible management of food and agriculture systems, and it rejects those techniques of agricultural production, breeding and processing that do not respect not only human rights but also the welfare of animals, and therefore can have unanticipated negative consequences, such as those that occurred in parallel with genetic engineering.

Organic agriculture takes a scientific approach to development and supports all research that is to achieve technological solutions and innovations sustainable from an economic, social, ethical and ecological perspective, all based on local knowledge.

Figure 1 Linear economy and the reasons for deviations in this type of economy

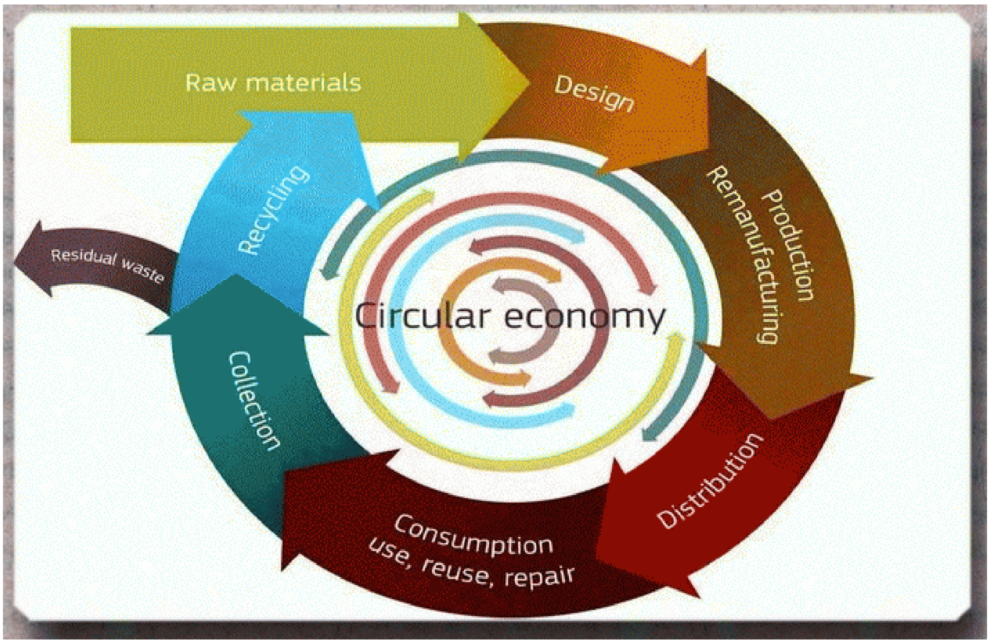

Figure 2 Circular Economy

Circular Economy and Agriculture

Agriculture is a critical sector of the EU economy, providing food and biological resources that help maintain the society. This sector is particularly at the center of all challenges related to population growth, food security, climate change, and resource scarcity. In the last 50 years, agriculture has become more resource intensive. However, the principles of a circular economy can offer many opportunities for agriculture in general, and in particular the livestock production, in order to make it more efficient in terms of resources.

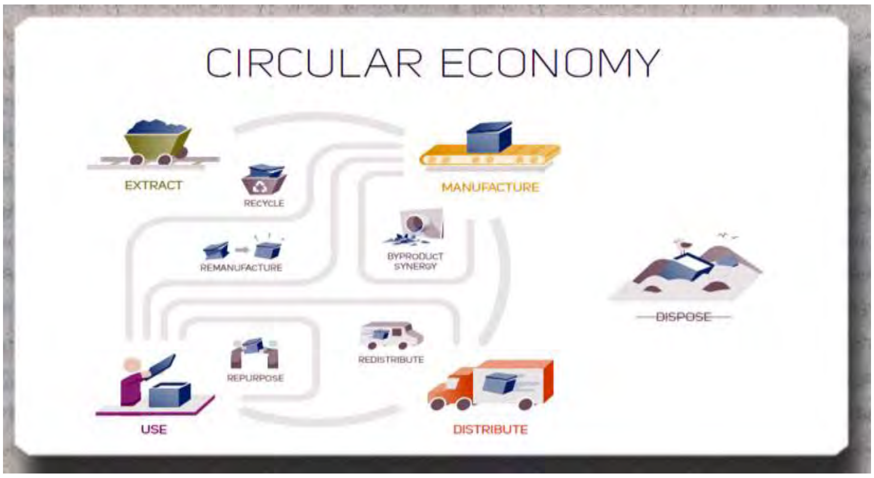

Figure 3 Advantages of Circular Economy

Modern agriculture is rapidly improving productivity, in the meantime for this success, it pays a high price, such as the consumption of resources and energy, and the damage to the agricultural environment. Evidently, the ecological deterioration due to the development of agriculture and inadequate way of agricultural development should make the humanity environmentally more sensitive and seriously restrict the sustainable development of agriculture. Circular economy and, in particular, the agriculture has become an effective way for the sustainable development of each country as a model based on the principle of sustainable development.

Circular agriculture is closely related to natural ecosystem, which brings the agricultural economic system into a harmonious process of circulating matter in a natural ecosystem. It provides the best way to develop a whole circular economy in agriculture. A circular economy is the path to achieving a harmonious development between the economy and the environment.

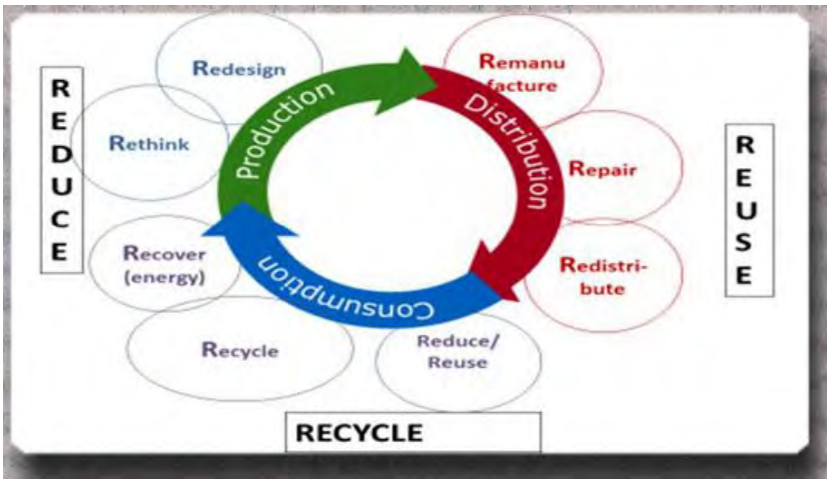

Figure 4 Additional advantages of Circular Economy

INTRODUCTION

Circular economy is a new economic form and model of economic development. As a concrete form that reflects the strategy of sustainable development, the circular economy is becoming the main development strategy in a number of regions and countries. The rapid industrialization and urbanization of Southeast Europe in recent decades has led to serious problems of reducing natural resources, and degradation of major ecosystems.

The development of agricultural products in many areas was in a state of vicious circle (circulus vitiosus):

- utilizing resources –
- production of agricultural products –
- emission of harmful gases –
- repeated overuse of resources.

In order to ensure the economic and social sustainable development of Southeast Europe, the production and consumption transformation, in accordance with the principles of circular economy, would entail a significant increase in the efficiency of the use of matter, which should also lead to a reduction in the use of the same matter and lowered pollution in absolute terms. Therefore, high technology and green technology must be used to change traditional economic growth, and that by strongly developing the circular economy in Southeast Europe.

Principles of Circular Economy

The circular economy, as the general term for reuse and recycling activities in production, trade and consumption, is the denial of a natural and especially traditional economy.

The traditional economy model is the one-way flow of the linear economy, that is:

Resources →Products →Waste (and linear growth of its quantity).

It relies on the high intensity exploitation of resources and their consumption, while at the same time the high intensity is damaging the environment.

Unlike the traditional economy, the circular economy is characterized by the low consumption of materials and resources during production, low pollution, high efficiency and high circulation rates, allowing resources to be fully utilized during production.

As a result, the harmful effects of economic activities on nature will be reduced to the greatest extent possible. For this reason, the circular economy achieves economic development, environmental protection and resource saving simultaneously. Its special feature is saving resources and recycling, making it an important choice for Southeast Europe if it wants to change the pattern of economic growth from extensive to intense.

Figure 5 Linear economy and the problems associated with it

Circular economy and sustainable development of agriculture - the benefits of agriculture if it accepts the principles of circular economy:

- Universal solution for most rural issues;
- Panacea - a universal remedy for problems of environmental pollution, ecological damage and resource deposits in modern conventional agriculture;
- Closely related to the natural environment, circular agriculture has easier access to the recycling process of natural ecosystem materials in order to establish a sustainable recycling model;
- Agriculture is closer to the people's consumption as those positioned at the top of the food chain. Within nature, agriculture is involved in the entire system of circulation of matter and energy conversion, which directly offers the way of realization of the coordination of the relationship between men and nature.
- Agricultural forestry, fishery, animal husbandry, processing of agricultural products, agricultural trade and services, as well as consumption of agricultural products are mutually dependent and synergistically closely related.

Basic Concepts of the Agricultural Circle Economy

The basic principles consist of the following principle of 3R - (reduction, reuse, recycle) and the principle of primary waste reduction:

- Reduction is the decrease in the input volume of non-renewable resources and materials, and the volume of waste production during the life cycle of agricultural products;
- Reuse refers to resources or products that will be used more than once, according to the original intention;
- Recycling refers to products which, after ending their function, become available resources, and not useless garbage.

Models of Sustainable Development of Agricultural Circular Economy

Develop a circular model of economy in the light of organic agriculture for the purpose of developing organic food (products) and organic industry as a means to an end. Organic industry refers to the chain of organic agriculture (organic production, organic forestry, animal husbandry, organic fisheries), the processing industry of organic agricultural products, trade and organic agriculture services, and organic consumption. An important point is that the whole model discards using genetic engineering and chemically synthesized substances such as chemical fertilizers and pesticides in the process of agricultural production, because organic farming follows ecological principles and ecological economic law in order to build and restore a healthy ecological circular system of agriculture.

Figure 6 Technical and biological materials in circular economy (right) vs linear

Figure 7a i 7b Typical models of linear economy

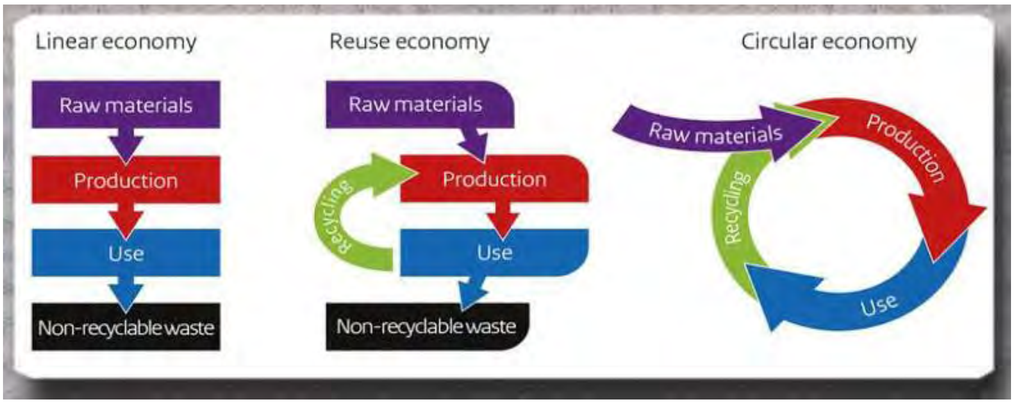

Figure 8 Evolutionary Transition to the Circular Economy

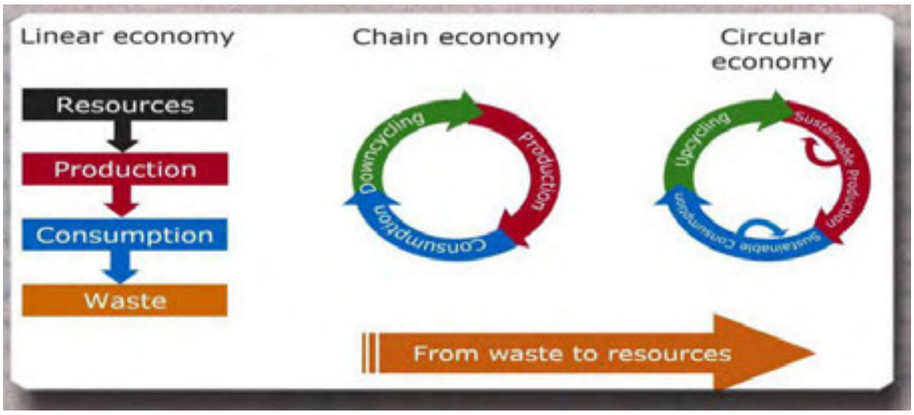

Figure 9 Chain Economy as a Transition to the Circular Economy

Organic agricultural products must be produced and processed in accordance with relevant international production standards and international certification. We should always keep in mind that the development of organic agriculture and organic industries is a result of the need for the environmental protection, the preservation of scarce resources, the development of rural economy, and the improvement of the quality of life of people and the protection of human health.

Since the 1960s, people have recognized the limitations of traditional methods of industrial production, which certainly include high consumption of natural resources, mass production of consumer goods and a large amount of generated waste.

Establishing a new mode of production cycle means the creation of a new production cycle in which different waste matter in production and life, can re-enter different fields of reproduction:

resources →products →waste →renewable sources » →recycled products

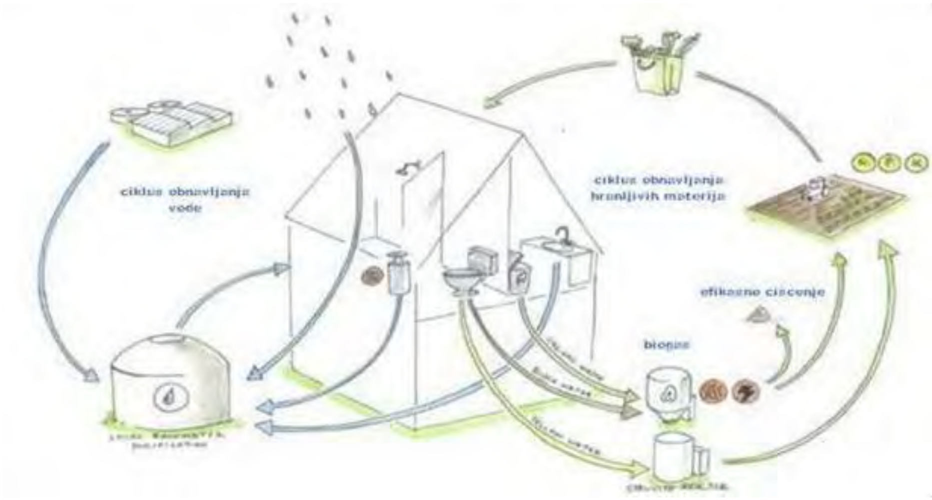

Figure 10 Waste water management according to the model of circular agriculture

Measures to Build Circular Economy

Promoting the recycling economy should improve the community's awareness of environmental protection and resource conservation, to which level of public awareness and educational institutions should be prepared, in order to promote the concept of environmental values and green consumption across the whole society, such as choosing less packaging or recycled items, instead of disposable items, all in order to reduce waste production. The government should also play an appropriate role, primarily in terms of purchasing products from companies that monitor environmental designs or through green environmental labels or through ISO1400 certification. A general plan for the development of a circular economy needs to be established and the circular economy strategy must be implemented and thus modernize this new industrial circular economy.

The project of circular agricultural production, first of all, implies the association of producers and the control and certification of organic food production

CIRCULAR ECONOMY AND BUSINESS IN SERBIA

Developmental tendencies in the field of agriculture in the modern world in recent years have increasingly included the protection of the environment and human health as the key determinants of the third millennium. At the same time, these domains are the starting point for capitalization and provide opportunities for the development of new profitable products aimed at reconciling the economy and ecology.

Circular production is highly profitable and effective because the whole process is based on agricultural production, on processed agricultural waste in the production chain, which follows the natural flow of matter as it is in nature without disturbing any of these natural cycles.

Organic farming is currently one of the most propulsive branches in the world economy.

Increasing organic production would bring following benefits to Serbia:

1. The increase in the number of employees;
2. Optimal use of agricultural resources;
3. Higher level of economic growth;
4. The increase in exports;
5. The increase in the local agricultural production;
6. Improving the standards of living for population in rural areas;
7. The village development; and
8. Preserving and increasing the rural population.

The growing need for food has led to the development of agriculture primarily by relying on the use of chemicals and mechanization. Excessive, uncontrolled, often also unprofessional use of chemical inputs (fertilizers and plant protection products) in conventional production with the intention of achieving the highest yields and profits is the cause which reduces the quality and fertility of the land.

In addition, the quality and safety of food for human and animal health is often neglected, as well as the basic principles of protecting ecosystems and agro-ecosystems. Organic farming effectively addresses these problems because it offers a more humane way of producing food, i.e. it puts human health at the forefront and respects the natural ecological balance by avoiding environmental pollution.

Organic agriculture is focused on the future and on further development, not only from the aspect of environmental protection and improvement of human health, but also from the standpoint of economic prosperity.

The increasing inclusion of the world's largest food companies in the organic supply as well as other multinational companies (Philips, Michelin Solutions, Canon, Renault, etc.) in the circular economy is the best proof that this product category does not represent ephemeral trend or fad tendency of them and their customers, but a commitment that is expanding rapidly to an increasing number of customers.

In the last ten years, the production and processing of organic products has become increasingly popular and economically significant. This is understandable since the measures and procedures used in conventional production (intensive soil treatment, cultivation of only one species on larger surfaces, application of mineral fertilizers, chemical control of weeds, pests and diseases and genetic manipulation of cultivated plants) aim to increase productivity. However, such procedures endanger the future level of production as the conditions that would contribute to long-term fertility maintenance being destroyed.

Organic agriculture, which is an integral part of a sustainable economy system, does not allow the use of plant protection and nutrition products of synthetic and chemical origin and synthetic drugs (except in special situations), growth regulators, hormones, ionizing radiation and genetically modified organisms.

THE IDEA OF CIRCULAR PRODUCTION IN SERBIA

Circular production is highly effective and profitable because the whole process is based on several dimensions in agricultural production, but above all on the processing of agricultural waste in the production chain, which tracks the natural flow of matter as it is in nature without disturbing any cycle.

In the course of our research work, we realized that this kind of production system has long been developed primarily in Japan, late in 1940s, and in early 1950s.

This kind of production system has been developed by Professor Odaira Keikichi, one of the most famous agro-economists in Japan and the entire world.

The development of such food production systems was carried out in other countries, because it is adaptable to all conditions, at any end of the world, including a mapped natural flow of matter.

Attitude of the EU Countries towards Circular Economy

In the EU, the effects of the circular economy and agriculture are increasingly evaluated especially through increasing resources efficiency:

- In the EU that is target for the majority of SE and Central European countries, a higher level of efficiency up to 30% can create 2 million work places and increase GDP by 1% compared to normal business (+15%).
- Potential profit for companies is between 3 and 8% of turnover by more efficient use of resources.
- The competitiveness of the EU is achieved because the new eco product design extends its lifetime through repair, refurbishment and recycling.
- There is no uncontrolled exploitation of natural resources, but mainly renewable energy sources.

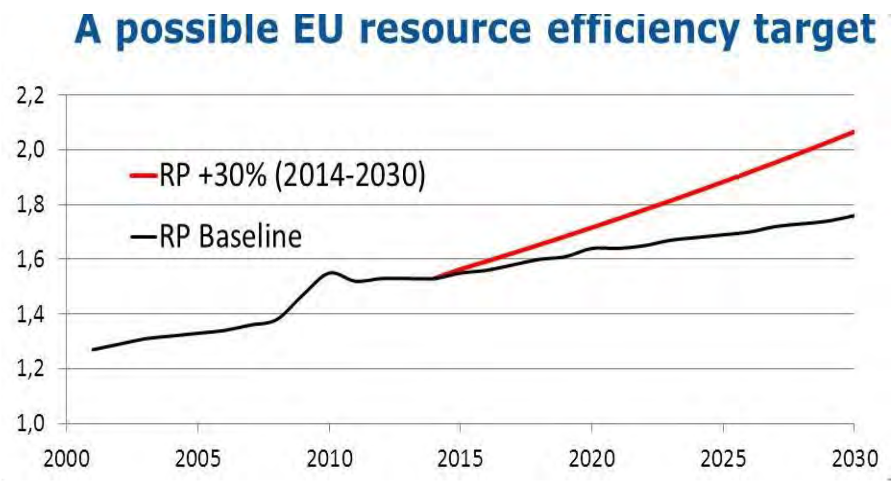

Figure 11 A possible resource efficiency target in EU

CONCLUSION

There is a high level of enthusiasm in the world to start the construction of circular agriculture, which is proven as promising since it stimulates innovation.

Circular agriculture is a business branch:

- where resources, or at least their quality, are not lost, but can be infinitely recycled and
- in which energy is no longer produced from fossil fuels, but exclusively from renewable sources.
- The circular economy is generally designed to support and strengthen our environmental capital - ecosystem and biodiversity - instead of its weakening.
- In addition, circular agriculture offers the foundation of a healthy and diverse society.

On the other hand, the linear model is no longer viable, as with nine billion people on the planet by 2030, problems in meeting human needs for goods and services are incomparably greater than ever. In addition, linearity predicts an increase in global solid waste volume from 1.3 to 2.2 billion tonnes by 2025. Therefore, the circular economy is imposed as a universal remedy for the greatest problems of agriculture and many problems of the economy in the 21st century throughout the territory of Europe and the world.