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Dear readers,

The public has almost become a kind of used to the expectation that *Horizons* scientific journal with its every new edition, to trace a new pathway towards its further establishment on the international educational and scientific-research areas.

In its pronounced strive to achieve an increased level of quality, the *Horizons* that we know from before has been transformed and now it is coming out as two separate issues of the same brand name, but with an improved recognizability and an increased particularity in terms of the scientific-research contents it brings.

It is important to stress that, *Horizons* will, for the coming period, just as it did previously, continue respecting the principles of scientific impartiality and editorial justness, and will be committed to stimulating the young researchers in particular, to select *Horizons* as a place to publish the results of their contemporary scientific and research work. Also there is an emphasized need for those who, by means of publishing This is also in line with the need to provide place incorporated within the publishing activity for all those who through publishing their papers in international scientific journals, such as the two new series of our University Horizons, view their future career development in the realm of professorship and scientific-research profession.

The internationalization of our Horizons magazine is not to be taken as the further most accomplishment of our University publishing activity. Just as the scientific thought does not approve of limitations of exhaustive achievements, so is every newly registered success of the Horizons editions going to give rise to new “appetites” for further objectives to reach.

Taken from the aspect of quality gradation, it is well justified if we announce the publishing of the international scientific journal Horizons with a significant quantifier – journal with impact factor. This initiative of “St.Kliment Ohridski” University – Bitola is given a substantial place in the future undertakings outlined in the plan for

increasing the overall quality of organization and functioning of the University.

Las, but not the least, as we have made public our future steps, we would like to express our sincere appreciation for the active part you all took in the process of designing, creating, final shaping and publishing the scientific journal. Finally, it is with your support that Horizons is on its way to attain its deserved, recognizable place where creative, innovative and intellectually autonomous scientific reflections and potentials will be granted affirmation, as well as an opportunity for a successful establishment in the global area of knowledge and science.

*Sincerely,
Editorial Board*

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THE MANAGER CULTURE – AS A FACTOR FOR DEVELOPMENT OF THE COMPANY¹

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Abstract

The strength of power and influence (besides the other factors) is the most important in shaping company strategy. Leaders with their abilities and inventions have to determine the goals, which are defined in company's strategy, in order to make it successful, i.e. to have stable development.

Key words: manager, managing culture, power, influence, strategy

INTRODUCTION

The strength and power of the manager are the most important in forming company's strategy. The manager with his/her ability and invention has to determine the highest range expressed by company's strategy, aiming it to be strong and have strong development. But the strength and influence cannot be reached only by the fact that someone is good at his/her work position. It is only a precondition, but it is not enough.

Enterprise's managers must be ready to transfer their power and influence to the others. In the new millennium that has already begun, transferring power will be a key for achieving results. Transferring power to his/her collaborators provides the manager with strong company's power.

Building managing culture is also one of the basic strategic principles for successful working of any company. In the management culture the four principles of success are successfully applied: dual principle, FOSI principle, coordinating principle and pathology principle.

Being introduced and applying these principles can significantly contribute to a company's success.

The complication of economic conditions will in future lead to the fact this management culture to be one of central requests. Every manager

¹ professional paper

should have the “four principles” in front of him/her as a practical guide to manage an company, because through them people, ideas, systems, communicating and technology are being united.

If we analyze the trends of global management development, and if we put them in context of new technologies and new information means development, then we can conclude that leader’s influence on company’s strategy evolved highly in current conditions of economy development. Leader’s influence in the current and future relations of society development will suffer changes in sense of evolving its existing and firm’s strategies, in other words a great evolving of leader’s skills in running company strategies are expected.

LEADER’S POWER

Understanding the power possessed by every leader is essential for his/her team, surroundings and development of the enterprise he/she manages. Leadership is a process of making influence on other people, but this influence is not possible to be made without possessing power.

The treatment of power has variety of connotations- from the one that it is almighty because it can explain the unexplainable situations and events to the other, which is irrelevant, where only a small analytic value is attributed to it. The real sense of power acting should be sought in the integrity of mentioned attitudes. The power is characteristic for interaction among the social actors. The definition of power has 2 aspects: as a social and a personal phenomenon.

This is a definition of power according to the social aspect: “People’s power within the society is nothing else but their capability to realize their goals, satisfy their needs and accomplish the named characteristics of human life in a social community by joint or foreign activity. Because it comes from the work, which is always socially linked and determined, people’s total power is social.”²

The content of power may be understood if we say that one should understand it as actor’s capability to overcome other’s resistance in order to achieve the desired goal. In this sense the authority becomes right to apply power. It (the authority) is formed by power legalization. While the power is a characteristic of the system in a state of rest, the politics is learning the power in action.³

² Dr. Z. Vidakovic : “Drustvena moc radnicke klase”, Rad, Beograd, 1970, p. 243

³ Preffer J. “Power in Organization”, Pitman Publishing Inc., London, 1981

The power is expressed by group member's power to influence (or to impose), while authority possession imposes as its formal sanctioned right to make influence. Naturally, the power and the authority may not coincide. Group leaders must take care of the awareness and the structure of influences within his/her group and of its active using.

Other kind of processes that help to express the power within the group is called interpretative scheme of group members, and it also understands the mental structure that helps the individual to understand the people and the occurrences in the surroundings. The power is a generator of movement, and the formal leader's authority is not enough to achieve work's success. The formal authority provides only a certain power, via the right to punishment and rewarding.

The influence of group members must be build up by leaders on knowledge and information as values whose unequal distribution helps to acquire that influence. Every group member has in his/her subconscious ambivalent attitude towards the group, because it provides him/her with safety and intimate, but also with discontent, because it frustrates and limits him/her.⁴ There is not a leader without a group; he/she can only be expressed in the group, in other words organization. His/her essential role in a group decision-making, but also in running organizational strategy is to prevent from the "group thinking", because when everybody thinks, then nobody actually thinks.⁵

A leader cannot work efficiently if he/she does not use the power. His/her power is an essential part of his/her total process of acting. The power contains positive strength that gives freedom, choice and strength, no matter of the liability it contains. Although many leaders see necessary evil in power's dimension, or an ungrateful activity, which is not immanent for people with integrity, it is however considered that avoiding politics and power is a naive mistake left to powerful and influential people. Because of it the power is an important component of total organizational strategy and its correct policy. The decisions that are made within the organization, which are crucial for it and are the same in leader's competences are not always made on the base of logic, but are mostly determined by power and influence.

The reality points out that power and influence are not evil. All managers should be politicians if they want to work efficiently, to contribute and make

⁴Janacevic, N.: "Managing organizational groups", Poslovna politika, Beograd, 1992, p. 21

⁵Janacevic, N.: "Managing organizational groups", Poslovna politika, Beograd, 1992, p. 210-220

progress. They should be politicians in sense of understanding and feeling the reasons for clashes and the strategies needed to avoid them. They should learn that a clash and differences in goals, values and interests are integral part of organizational existence and its unavoidable part. Making complaints about differences and clashes is not worth anything. Power applying is not only creating empire and pushing the others. There are powerful and influential people that take care of the company and their colleagues' benefit. The politics has an advantage, which refers to joint work with the other people, paying attention to their concerns and building long-term unions.

There are different attitudes and views about power's goal among leaders. Most of them consider that power is something positive, in other words that it is a freedom for influencing the surrounding and is related to liability. Other leaders consider that power is a feeling of safety in economic decision-making, so that the leader can make an important decision for his/her organization without any consequences. The leader that sees the good results achieved by his/her organization, who is aware that the important decisions were made by himself/herself, feels power and strength. The power to help in running the work is a very good thing. The power provides one with freedom to make decisions independently. Possessing power is considered enjoying by many people, versus the surroundings pressure. What we should understand under the notion power is the ability to do something, to make some things happen and the others to implement some activities. The word power origins from the Latin word "posse", which means to be capable, in other words to have strength to control and accomplish certain goals. It is very important the leader to find the source of power which he/she can apply. The employees expect the leader to use the power of his/her position, but not as a substitute for other power forms. They accept the leader to make the final decision and listen to him/her, but he/she should not forget that they expect he/she to listen to them as well and to inform them. The biggest power the leader should possess is not his/her charisma, but the power that comes from his/her knowledge. The knowledge is the highest power of every leader. If we understand that knowledge means possessing information, then the riches in information make the leader very powerful.

A leader is a person with vision, creation and strategy. The employees are impressed when the leader has a vision of future and knows the way to implement it. The only way to success for the leaders is to help, and not to act like policeman on duty.

LEADER'S QUALITIES

The power understands a source, in other words ability to make desired things happen. The influence, however, is the thing that is being achieved by using power. The leader with his/her influence, in other words ability achieves what he/she wants, but with help of other people. Therefore the influence can be defined as an ownership of changing the scheme of other people's behavior and their decisions or to influence the events differently. The topic influence has been researched a lot up to now, all in context of researching its content. But it is important to mention that the influence differs from power because "the power means ability to make decisions by yourself, while the influence is ability to influence other people's decisions".

In order the leader to be able to make influence, he/she should possess the following qualities:

- First of all to know who he/she should make influence on and

- To own to know how to behave so that he/she can pay other people's attention to him/her and make them cooperate with him/her.

The leader should make the first step in the ability to influence other people by confidence. If a person is trusting, then his/her influence will be higher. The ability to create a close relation between the leader and the team he/she leads is the second step in gaining the influence. But one should never forget to take care of the timing in implementing that influence on other people. The power and influence are not achieved only by the fact that someone is good at his/her working position.

In the millennium we entered the power will be one of the important keys to achieve success. The leader who possesses power and influence has the following qualities:

- Ability to cooperate;

- Possesses persistence;

- Can present his/her ideas;

- Is flexible;

- Listens to the others carefully, is considerate and moderate and

- Has strength calmly to resolves situations that are hopeless and difficult.

QUALITY STRATEGY – A GUIDE TO COMPANY SUCCESSFUL WORK

Further in our presentation we will take up defining and implementing the strategy, which is the leading star to successful work of every

organization, and is in immediate competence of the leader. If the leader does not possess power, influence, skills and knowledge, the good strategy remains only a wish. The task of the leader in any organization is in his/her ability to apply new forms in manufacturing lines and services that apply the strategy of potential using and world standards strategies. This task will surely make certain difficulties, but it does not mean that it cannot be implemented.

In order to implement the strategies, generally in the world, different forms of partnerships are needed, which will provide an adequate market approach, competitive prices, modern technologies etc. The success of these strategies depends on many factors, such as: quality of partner's assessment, successful running of negotiations, good operative mechanisms, i.e. all that should provide everyday coordination in joint business.

It is naturally that the successful leader should strive to organize an adequate global company shape, but at the same time to work on new microform of his/her organization. His/her important task is to develop a world leader class and not only to satisfy the leadership reproduction, which usually concentrates on domestic instead of global ambient. Therefore the most frequently this approach initiates decisions for creating new visions and strategies.

A lot of reflections that precede the vision, which on the other hand precedes the strategy, strive to turn to mystery. However, developing a good vision is not an imagination. It is a persistent process of collecting and analyzing information. People who are occupied with these activities are not magicians, but people asking for risks and changes.

One must not require the vision and the strategy to be brilliant, because the efficient business vision and strategy basically have a certain quality, which is consisted of a well-known idea. In the firms without vision, apart from short-term planning, there can exist a black spot, which will spend a lot of time and energy.

The leadership usually fails when it is based only on survival, because it must be understood as a leader's task to move the employees from the place they are not to the place they have never been to. Such leaders are not eternal. A long time was believed that the basic task of a leader is to maximize the profit. But one must realize that it is only a condition, i.e. a mean, but not a goal. The effort to maximize the profit should be understood as a way to provide money that should be spent for "something" else. That "something" should be firm's growth.

This growth can doubtless increase the profit, but what should the profit be used for, in other words what is the reason for its increasing? This question is answered by the modern management science with a new thesis,

which is not only new, but also adequate to development of technology and human knowledge. When the enterprise increases its possibilities and wishes to invest in everybody that had invested in it, it must achieve development. Thus it is believed that the development is a main and real goal of an enterprise. The development understands increasing the abilities and wishes for satisfying own and other people's needs. The development also understands increasing abilities and skills.

The strength of influence and power are the bases that should provide the leaders with defining, running and implementing a successful organization's strategy. It is natural that in the domain of a strategy there are not any disagreements noticed in the literature. Here we should point out that apart from power and influence that should be possessed by the leader, one should take in consideration other circumstances or factors as well for shaping organization's desired strategy, which also influence it.

A successful company in 21st century will be the one that conducts changes in which the employees enjoy, instead of being frightened of. The essence of leader's skills in building company's strategies should come from the fact that one should have a clear vision out of which the changes, transformations and new directions will originate, having into consideration that the vision is always a risk, but it is a process that is supposed to unite people, ideas, systems, communicating and technology.

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E-COMMERCE AND E-BANKING AS AN INNOVATION IN THE ECONOMY OF THE REPUBLIC OF MACEDONIA⁶

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Abstract

With the rapid development of information technologies and the Internet as their integral part, globally, have made huge changes in all areas of human activities. Economy as one of the important areas of life and work of the people feels and applied these changes. The application of information technologies in the field of commerce and banking, has opened a new kind of work so called electronic commerce (or just e-commerce) and electronic banking (e- banking). The new revolutionary trend of electronical working entered on a "big gate" in all countries around the world. Whether it is an economically developed countries or developing countries the electronical working has been widely accepted and applied.

The trend of electronical working, in which will put special emphasis on e-commerce and e- banking, as innovation is accepted and applied in the Republic of Macedonia.

For that purpose, in this paper, we will make an analysis with which we will process e- banking in Republic of Macedonia.

Key words: e-commerce, e-banking, innovation, trend, economy

INTRODUCTION

The rapid development of information technology, information infrastructure and the Internet as a global communications system worldwide

⁶ original scientific paper

brought huge changes in every sphere of life and work of the people. The same thing refers to the economy. Using of modern information assets and ways of communication in the field of economy, led to the development of a new kind of economy so called "digital economy". The results that are achieved with the use of so-called "digital economy " led to occurrence and development of new electronic subspecies such as electronic commerce (e-commerce), electronic business (e- business), electronic banking (e-banking), electronic marketing (e- marketing) electronic management (e-management) and so on.

With this, we can say that we get a new innovative way of transforming and operation of the old firms in to new electronic companies. It is inevitable because of the new fashionable trend which comes in line with the time and provides greater success.

In this regard, the Republic of Macedonia follow the trend of using e-commerce and e-banking.

E-COMMERCE IN REPUBLIC OF MACEDONIA

The simplest definition of e-commerce would be that it is transact business by using of the Internet and the Web, but to better understand this term would we will say that e-commerce is digitally enabling commercial transactions between and among organizations and individuals [1].

Electronic commerce, like an innovation in economic performance in developed countries started to apply during the year 2000, but in the Republic of Macedonia its beginning started during the year 2005. The banks in the Republic of Macedonia offer information about its users which will contribute to greater use of e -commerce in the daily operations of firms and individuals.

For that purpose we will make short review of e-commerce in three banks in the Republic of Macedonia: Komercijalna Banka AD, Stopanska Banka AD, and NLB Tutunska Banka AD. These are the three top banks in Republic of Macedonia ranked by SeeNews TOP 100 SEE in the Sixth annual edition for 2013. [2]

The banks mentioned above are compared in three aspects:

- 1) Accepted card brands;
- 2) Technical and security aspects;
- 3) The use of e-commerce service.

The first aspect is about what are the accepted brands of cards for e-commerce use. The brand of Master Card Worldwide and Visa International is accepted by the three banks, and cards by Diners Club are technically

accepted by NLB Tutunska Banka AD only under special contract regulated directly with Diners Club Macedonia.

In technical and security aspect, e-commerce service is secured via 3D secure technology by the three banks. This technology is developed by the international payment systems Visa International and Master Card Worldwide and it is implemented Verified by Visa and Master Card Secure Code. There are additional security measures in e-commerce service by NLB Tutunska Banka AD: 128Bit SSL encrypted communication during the trading process, and it is made via registered IP address of the internet store.

The use of e-commerce service is made in two ways:

- directly, which is based on direct contract with the bank, and
- indirect way based on cooperation with companies specified by the

bank.

The direct way is used by all three banks. The indirect way is offered by Stopanska Banka AD. In Table 1 is given comparative review about the e-commerce service for the three banks in Republic of Macedonia. Information in Table 1 is from the official web sites of the three banks.

	Komercijalna Banka AD	Stopanska Banka AD	NLB Tutunska Banka AD
Accepted card brands	Master Card Worldwide, Visa International	Master Card Worldwide, Visa International	Master Card Worldwide, Visa International, Diners Club
Technical and security aspects	Verified by Visa, Master Card Secure Code	Verified by Visa, Master Card Secure Code	Verified by Visa, Master Card Secure Code, additional security (128Bit SSL encrypted communication; Registration of IP address of the internet store)
Use of the e-commerce service	Directly (based on contract with the bank)	Directly (based on contract) / Indirectly (based on cooperation with the companies specified by the bank)	Directly (based on contract with the bank)

Table 1: Comparative review of e-commerce as a service for the three banks in Republic of Macedonia

After this analysis, we can say that the Republic of Macedonia, as a young country in this electronic way of operation, possesses a high level of technological infrastructure to work with cards and professional staff, but should take into account the habits of the population that are in stage of

acceptance of new trends of electronic banking and the use of payment cards.

However, despite these factors that contribute to the increase of e-commerce, they proportionally influence on security, so we can say that in the world, and in the Republic of Macedonia has an upward trend of abuse of data, cards and ATMs. In fact, it is one of the barriers that influence on not massive acceptance of this modern way of working. Despite the advantages offered by e-commerce, security is still the key factor that people hesitate to use it. But, informatics experts consider that as a challenge, actively working on this issue every day and offered solutions to eliminate this problem.

In Republic of Macedonia, e-commerce has increased. Statistical data confirm that since 2007 until today around 300 macedonian companies are registered to sell goods and services online, thus in 2011 is made a turnover of about 1 million denars.

The most common online purchases made with credit cards are: paying the bills, travel arrangements, buying books, as well as virtual stores that make up the largest share of online sales in the Republic of Macedonia.

Related with turnover that is made by electronic commerce, viewed globally in 2012, it amounted around 25.4 billion euros, where in 2013 has been seen a slight increase over the previous year, and the forecast for the next 2014 and 2015 predict that will be expected to increase turnover by about 17-18 % compared with turnover in 2012. This is consistent with the growing trend of using of e-commerce service. Table 2 shows the turnover from e-commerce globally for the past 2012-2013 and forecasts for expected turnover in future 2014-2015 where can notice a significant increase [3].

Year	Turnover by e-commerce on global level in billion euros
2012	25.4 billion euros
2013	26 billion euros
2014	29.7 billion euros
2015	30 billion euros

Table 2: Turnover of global e-commerce expressed in billions euros for the period from 2012-2015.

E-BANKING IN REPUBLIC OF MACEDONIA

E-banking can be defined as provision of information about a bank and its services via a home page on the World Wide Web (WWW). World Wide Web (WWW) is a global hypertext system that uses the Internet as its transport mechanism. More sophisticated e-banking services provide

customer access to account, the ability to move their money between different accounts and making payments or applying for loans via e-channels. Customers perform transactions using online channels such as the Internet. Customers can be an individual or organisations.

One survey conducted by Tech Web News in 2005 found e-banking to be the fastest growing commercial activity on the Internet [4].

In a survey conducted on Internet, for its users in the U.S.A in 2005, found that 13 million Americans carry out some banking activities online on a typical day, which represents increase of 58% for the same activities compared with those in late 2002 [4].

In Table 3 are used information from Stopanska Bank AD where we make an overview of the share of e-banking transactions in total transactions in their operation, where we can notice how users of these services increase their use, and in fact we can say that the increased number of transactions has an important role and the number of users constantly growing. The data used in this table are derived from the source of the Stopanska Bank AD.

Year	Share of e-banking transactions in total transactions
2006	22.1%
2007	28.9%
2008	21.1%
2009	33.9%
2010	37.7%
2011	44.8%
2012	42.0%
2013	42.3%

Table 3: Share of e-banking transactions in total transactions in the period from 2006-2013 in operation of Stopanska Banka AD

Relative to transactions made over the three consecutive years, statistics register drastically increase. In 2011 the number of transactions was 77 thousand, and in 2012 noticed is an increase in the number of transactions by 86 %, while in 2013 although it was expect growth of about 76 % compared to the previous year, it is concluded realizing of 265 thousand transactions or increasing by 85 % compared to the previous year. The tabular preview of the number of transactions for three consecutive years from 2011-2013 is given in Table 4, which is made according to information received from the International card systems [3].

Year	Number of transactions
2011	77000
2012	143220
2013	265000

Table 4: Growth of e-commerce and e-banking according to the number of transactions in the period of 2011-2013 in Republic of Macedonia

Still there is a big difference in the use of card operations in developed countries and in the Republic of Macedonia. The share of cards as cashless payment instrument in developed countries is 40%, while in Republic of Macedonia the same number of total share of cashless payment instruments is around 4%. From those 4% of cashless payments, 90% belong to credit transfers and the rest of debit transfers.

CONCLUSION

Since ancient times people look for ways to use assets that will facilitate their work. In this case the new technology as a assets are not only improved and facilitated work in every domain of life of people, but they also made notable changes to the previous course of the things. Innovations such as the steam engine and the phone made big changes in commercial activities. But the Internet really changed the way that people buy, sell, rent and organized business in general, much faster than any other technology in the history of economics. Internet and "dot.com" companies have succeeded to penetrate in all pores of life of the people, to form a new way of commerce so called e- commerce, which will form its sub-branch called e-banking, which inevitably grow and spread throughout the world.

We live in an "information age" where e- commerce and e- banking are a powerful tool in the economic growth of developing countries.

In the global economy, e-commerce more and more becomes necessary component of business strategy and a strong catalyst for economic development.

E - banking quickly became a norm in the developed world, and is implemented by many banks worldwide . Also, it is introduced by many banks in developing countries. The main reason behind this success is the numerous benefits it can provide, both for banks and for the customers of financial services.

These tools that facilitate the economy, we cannot say that is widely accepted and used massively in the Republic of Macedonia, but the statistical data promise that it will be changed and that it will be noted trend of increased use of e-commerce and banking service by individuals and organisations.

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APPLYING EFFECTIVE PROMOTIONAL MARKETING TECHNIQUES IN THE PROCESS OF CREATING A COMPETITIVE ADVANTAGE FOR COMPANIES⁷

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Abstract

Marketing concept is an integral part of corporate business policy that is focused on meeting the needs, expectations and desires of consumers. The creation of this concept is conditioned by the objective conditions of work, the competition and the increasing role and importance of consumers in the purchase.

The exact scientific terms most effective promotional techniques that improve penetration competitive advantage and profitability of companies: technique Above The Line (ATL), a technique Below The Line (BTL), a technique Through The Line (TTL). Every successful company in it's marketing plan to integrate these techniques.

In this scientific paper on the subject will be analyzed effectiveness of the use of promotional marketing techniques through which companies, ie mobile operators in the Republic. Macedonia established communication with customers who are key moments when choosing a product or service, or channels of information are most effective for clients, or that is what will attract them to use a particular product / service.

Keywords: marketing management, marketing strategies, integrated marketing communications, competitive advantage.

⁷ professional paper

Introduction

In the process of globalization and current business trends intensify the correlation between Sales and marketing management. If sales is a technique for transformation into monetary value of the product / service, marketing is the catalyst for this transformation. Marketing is the intellectual Part of sales, ie model to promote the product or service in front of the consumer, explicit model of representing the quality and brand of product or service. The ultimate goal of marketing is to increase sales and profits.

The exact scientific terms most effective promotional techniques that improve penetration competitive advantage and profitability of companies: technique above the line (ATL), a technique under line (BTL), a technique through line (TTL). Every successful company in its marketing plan to integrate these techniques with their implementation depends on the disparities in financial need, differences in intellectual capital and expertise, time management, from planning to implementation, communication with external stakeholders.

In this scientific paper on the subject will be analyzed effectiveness of the use of promotional marketing techniques through which companies, ie mobile operators in the Republic. Macedonia established communication with customers who are key moments when choosing a product or service, or channels of information are most effective for clients, or that is what will attract them to use a particular product / service.

Applying effective promotional marketing techniques in the process of creating a competitive advantage for companies

Marketing concept is an integral part of corporate business policy that is focused on meeting the needs, expectations and desires of consumers. The creation of this concept is conditioned by the objective conditions of work, the competition and the increasing role and importance of consumers in the purchase. Placed in such complex objective conditions, business has no choice other than to establish the relationships that mean the realization of profits above all, depends on the extent of the needs, desires and demands of customers.

When creating a marketing concept should always be taken into account considering its basic elements: product, distribution, price, promotion.

Product as an essential tool of marketing concept has great importance, because the product needs of consumers and satisfy their desires. The characteristics of the products / services depend on other elements of the marketing concept: distribution, price and promotion. The selection and application of distribution channels, distribution strategy and so on. depends

on the product. Pricing policy and promotion, as elements of the marketing concept, also depend on the characteristics of the product.

The promotion is a fundamental tool of marketing concept. It is the purpose of informing customers and the public about the characteristics of the product / service, communicative means of persuasion to use or buy a service / products. The information system present existence of the product, so that consumers have knowledge about. The system of belief are positive signs out of the product relative to other products such purposes or substitutes.

The product policy and its instruments can achieve certain results without having to change certain aspects of the use of distribution, price policy and promotion. Signs product (quality, design, packaging, etc..) Alone can constitute an effective tool in sales. The same effect can be achieved and the policy instruments of the product (differentiation of products / services, development of new products / services, etc..) Can achieve a competitive advantage over other businesses. If you do not change anything in the design of the product / service, the volume of sales can be increased by using the appropriate distribution as a marketing tool. With appropriate choice of distribution channels, the appropriate strategy to selective or intensive distribution, especially with rational behavior in physical distribution, results of operations may be visible at the same product, same pricing policy and promotion. Prices as an instrument of marketing themselves is very important. This importance stems not only from the fact that they are sized financial results of operations of each business entity, but due to the dominant influence of prices on consumer behavior. Hence proper utilization of prices, with an unchanged policy of product, distribution and promotion, can effectively be used in achieving the goals of the business entity. The promotion, especially with the economic propaganda, created favorable conditions for market. The different types of promotion (economic promotion, personal selling, publicity and public relations) are an important means to inform consumers about certain aspects of the product, to then influence their behavior in the purchasing process. This undoubtedly means that the promotion itself, independent of other marketing instruments, can provide better results at work.

The effect of using promotional techniques is greater if companies combined, depending on the specifics of the environment, the total effect is greater than the sum of the individual effects of each instrument of marketing. Combining instruments of marketing theory is called marketing mix concept that appears with the development of marketing concept and its application in contemporary practice.

Combining instruments of marketing depends on the full development of the marketing function, the characteristics of the company and the place it has in carrying out the process of social reproduction.

Basically aspects and approaches can be:

- Static or dynamic;
- Creating an optimal combination of the market and the individual market segments;
- Achieve optimal combination in terms of business entities and beyond;
- Access to combine the instruments of marketing that comes from the length of the product life cycle and its stages of development;

An integral part of corporate business policy is making quality decisions to define the goals and policies of operation. Marketing as a specific "philosophy" is an integral part of corporate business policy that is focused on promoting the product or service in order to increase profit and competitive advantage. This means that marketing is an important corporate activity, whose basic function is to research the specifics of the market by applying scientific methods. The survey results are a function of effective long-term planning and development and creating effective business policy. The strategic approach enables stable production, a greater degree of social and economic security and better meet the needs of customers. Corporate business policy, decision-making under conditions of market economy must start from market opportunities and consumer needs, and accordingly apply effective marketing strategies that are compatible with the needs and specifics of the environment.

Companies and their brands, institutions and their leaders, organizations and their members face every day with large, complex and contradictory challenges. Media space is constantly changing which affects the habits and the ability of the public to consume and decode messages. The only alternative to keep the market is the effective corporate communication. Integrated marketing communications are coordinated approach to marketing messages that are transferred from the company to the targeted audience, the more media, the more resources and different procedures. Integrated marketing stems from the desire of companies to dominate the market with the products / services they offer. The integrated marketing communications approach to consumers, increases efficiency and improves closer to consumers through the establishment of a combined approach to multiple media at the same time.

The application of integrated marketing is a concept has the following objectives:

- Building, maintaining and improving the reputation (image)

- Creating a recognizable brand identity and awareness of its existence and qualities among target groups of public
- Creating a climate for achieving desired results

To ensure effective transmission of messages, and taking into account the aforementioned challenges and changes in our environment required an integrated approach to communications comprising:

Public Relations (PR) - The goal of PR is to establish and maintain a mutually beneficial relationship (communication) between the Corporation and strategic public. PR is particularly functional in conveying complex messages. He creates strategies to permanently improve communication with internal and external public.

Advertising (advertising) - The purpose of advertising is to identify the needs and desires of the target groups and adapted through aesthetic visualization of leading elements of the main messages fail to "touch" to their feelings and thus win the company and its products / services.

Direct marketing - applying effective strategies and tools, the direct way, through individual approach to have direct contact with consumers and thereby promote corporate values. An integral part of the integrated marketing communications promotional strategies for market penetration potential in order to gain maximum customers. ATL techniques are most effective electronic and print media, billboard campaigns.

Most effective strategies of BTL promotion posters, pamphlets, happenings, promotion in other countries, discount prices, public relations. TTL promotion techniques are a mix between these two strategies. These strategies are oriented towards creating a final strategy that combines ATL and BTL communications with one form of promotion is directed towards the target of the other form of promotion.

With expanding the use of electronic media (e-mail, Internet, on-line services, telemarketing), a growing number of companies sell their products and services directly to consumers without using intermediaries. Innovative companies use different combinations of traditional and new media to create a direct, individualized offers and messages to consumers. Modern trend is directing messages and offers to targeted market, ie applying the "one-to-one" marketing which is a combination of BTL activities. The aim of the strategy is BTL companies to more effectively reach targeted customers and build them stronger, longer and closer relationship.

BTL marketing consists of direct communication with vendors carefully targeted individual consumers to obtain rapid response and to foster lasting relations. Companies use databases to adjust their marketing offers and communications needs of narrowly defined segments and individual customers.

By BTL marketing companies want to build a good long-term relationships with their customers who submit relevant material, premiums, premium programs or membership cards for various clubs. That they do good only to selected customers or consumers who are loyal or are in their database as users of their products and services. BTL successful marketing starts with a good database for consumers who organized gathering comprehensive data on individual current and potential customers. The database can be used to locate good potential customers to adapt products and services to the special needs of targeted customers and to foster good long-term relationships with customers.

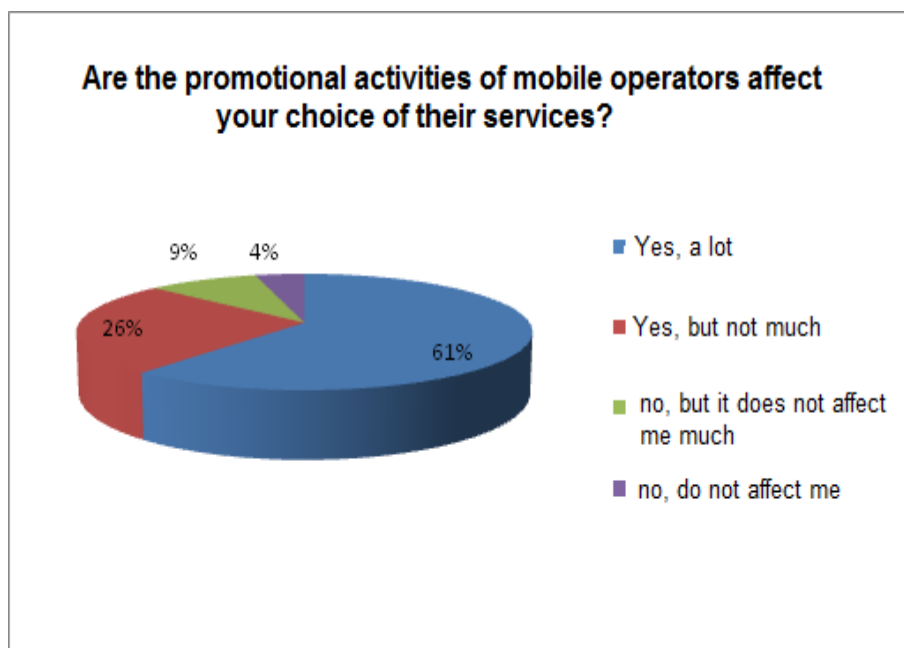
The basic features of BTL marketing mention the following three:

- Direct marketing is interactive, which means that there is two-way communication between the company and consumers
- It targets or addresses to a well-defined target market
- Through BTL marketing can achieve personalization, i.e. one-to-one marketing, creating individual messages and offers to the requirements of customers
- It implies a quick response or reaction by the consumer
- The results of BTL marketing is measurable
- Ability to develop long-term relationships with customers - on the basis of accurate and well developed databases can identify loyal and profitable customers that the company can establish closer contact and to develop stronger relationships.

In the context of current trends in promotional marketing is done research on customers, users of mobile operators, which was the subject of research: the impact of BTL activities as tools in sales strategy.

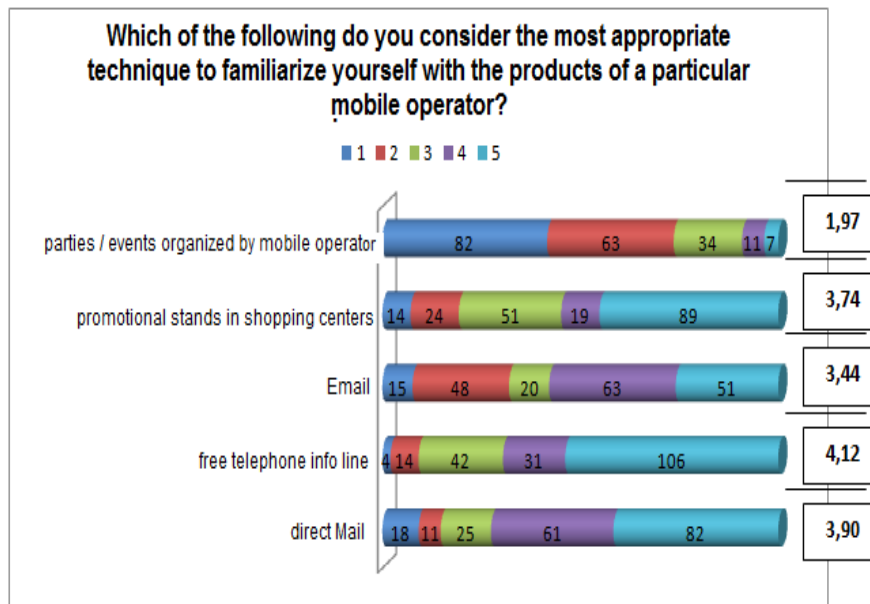
For this purpose 187 customers were surveyed in several mobile operators in the Republic of Macedonia. Survey which was conducted in November 2012. Survey results regarding the effectiveness of marketing promotion techniques are: The question: Are promotional activities influence the choice of service?, 61% of respondents answered affirmatively.

Figure 1. Impact of promotional activities on customer choice



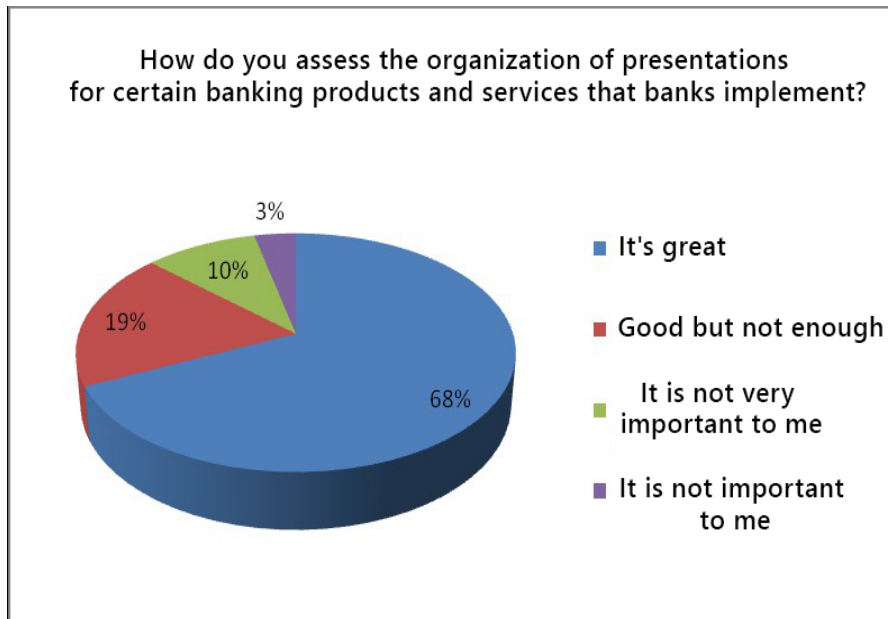
The question: Which of the following promotional techniques is most appropriate to meet product / favor that offers mobile operator? This question respondents answered that the most appropriate technique is free hotline and not effective technique is organizing events. Average rating received techniques of promotional stands, email and direct mail.

Figure 2.



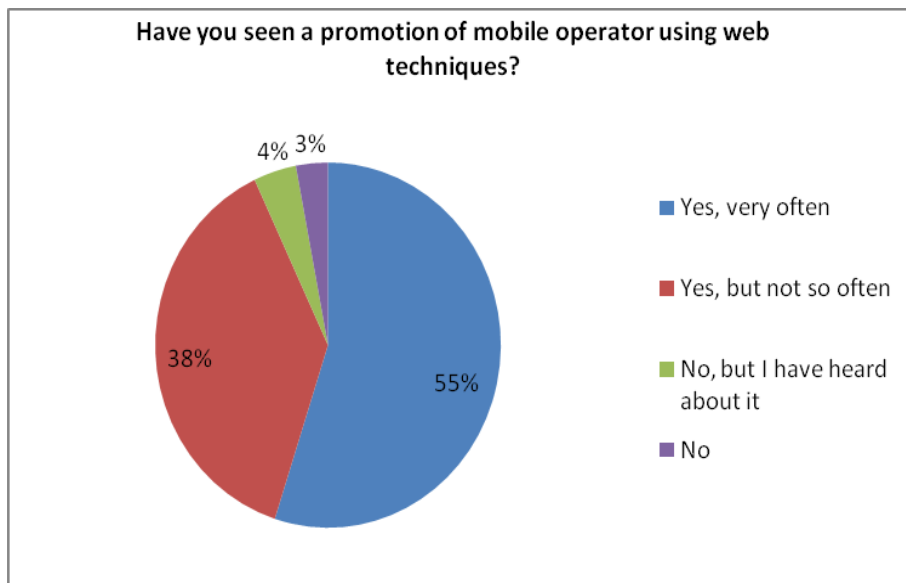
Modern marketing activities are oriented towards the direct promotion of services / products to customers. It often they use unconventional ways to promote your offer. The research shows that customers have a positive attitude toward receiving email or direct mail from mobile operators with which to learn new offerings. The results indicate that customers are increasingly seen promotional activities that mobile operators implement using web techniques.

Figure 3.



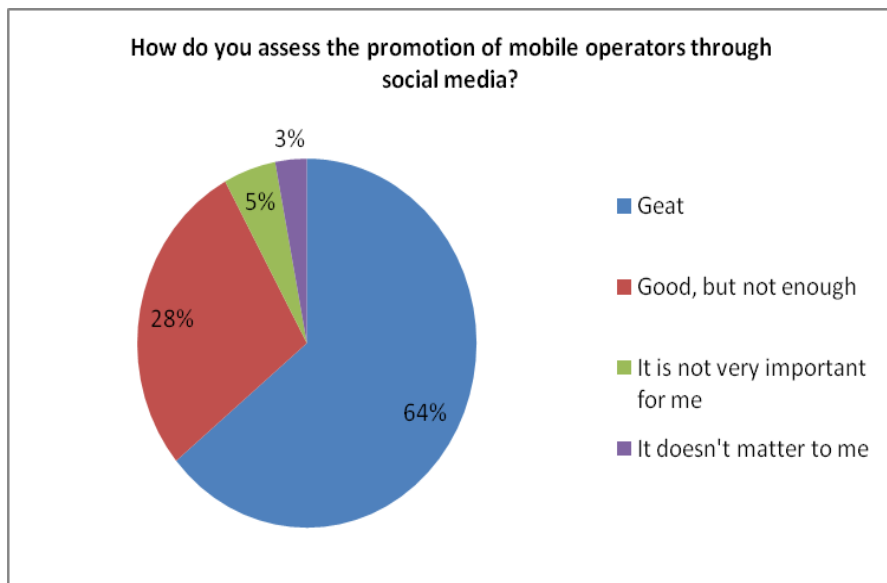
This results show that the respondents have a positive attitude about presentations as a way of promoting mobile operators.

Figure 4.



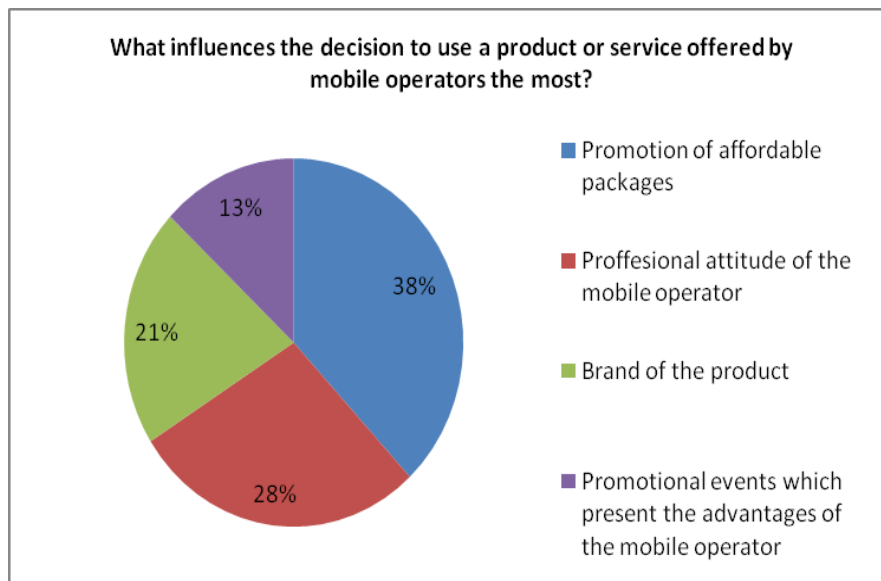
55% of the respondents assessed the promotion of mobile operators using web techniques as excellent. 38% of them think that this is a positive, but not sufficient way of promotion.

Figure 5.



64% of the respondents assessed the promotion of mobile operators through social media as excellent. 28% of them think that it is a positive way of promotion, but not sufficient.

Figure 6.



This research refers the question related to specific promotional techniques and their impact on the customers. 38% of the respondents answered that promotional activities which present the advantages of the mobile operator have the greatest impact on the decision to use a specific service. About 28% of the respondents said that professional attitude of the mobile operator and other benefits would mostly affect the decision. The lowest percentage of respondents answered that the brand of the product would affect their decision to use a specific product / service.

Conclusion

Marketing in the operation of mobile operators, employees and managers allows them to realize that the company they work for can not maintain its competitive position, if you do not know, study and track competition.

The company will achieve its goals and objectives in the market knowing his customer, knowing it offers and what it can offer its competition, what are its strengths and weaknesses, how it works and what it wants to achieve.

Mobile marketing should be treated as a business function that identifies the needs and expectations of the consumer, defines their size and determines how they should be satisfied with the products and services and prepares pro – Mite which will enable them to meet the expressed needs.

Active and targeted policy in advance of the sale of products and services required to establish standards or predefined policy priorities in offering products and maximizing the forms and methods of selling those products. Corporate operations, aimed at satisfying the needs of consumers, should mean offering products or services available on promised and attractive way. The quality of the work or the products and services offered must be in compliance with the requirements of consumers, and the price to match the level of market supply, be affordable for consumers to cover the cost of achieving adequate profits.

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QUALITY MACROECONOMIC TOOLKITS HELPING UNDERSTAND AND EXPLAIN PRESENT MACROECONOMIC PROBLEMS⁸

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Abstract

The unemployed workers and closed-down businesses are the visible signs of the global downturn, or recession, which began at the middle of 2008, in USA (financial crisis) as well as in 2011 in Euro zone (debt crises). In the present, the world's economies are highly interconnected, so the recession is likely to spread around the world, very quickly.

Economists gather data about the world and then build models to explain those data and make predictions. Economist also gathered all the tools of economics into a toolkit. This is a collection of some of the most important tools that we use over and over in different themes and macroeconomic problems who need to be solved.

What is the role of models in the making of macroeconomic policy? After many rounds of interaction between theory and data, a useful framework emerges. This then becomes the basis for policymaking. In this contest, we pointed that the period that economists named "the Great Moderation", who started after World War II, is like to go in history. Today, macroeconomics was becoming more about diagnosing failure and less about explaining success.

Key words: macroeconomics toolkits, macroeconomics questions, models and predictions, failure.

⁸ review scientific paper

INTRODUCTION

In this paper, we present the key tools used in the macroeconomics part of an economy as science. The toolkits are a collection of some of the most important tools that we use over and over in different macroeconomic themes and problems. People buy and sell goods and services. Firms hire and lay off workers. Governments collect taxes and spend the revenues that they receive. Banks accept deposits and make loans. When we think about the overall impact of all these choices, we move into the realm of macroeconomics. Macroeconomics is the study of the economy as a whole.

There is institution, called the government authority, that create government debt through financing projects, as a way to provide more jobs and help the economy recover from the recession. The government has to finance this spending somehow. One way that governments obtain income is by taxing people. Unfortunately for the government, higher taxes mean that people and firms have less income to spend. But to help the economy out of a recession, the government would prefer people to spend more. Another response to a recession is to reduce taxes. If the government is taking in less tax income, how is it able to increase spending at the same time? The answer is that the government borrows the money. There is another institution, called the monetary authority, purchasing government debt. The decisions of the monetary authority have a big impact on the economy as well. When the Central Bank decides to put more money units into circulation, this has the effect of reducing interest rates, which means it becomes cheaper for individuals to get a loan or a mortgage, and it is cheaper for firms to buy new machinery and build new factories.

In macroeconomics we study the effects of different kinds of government policy on the overall economy. But, do government policies failure sometime? Yes, they do. Is the reason because there are not sufficient and success macroeconomic toolkits? There is not simple answer.⁹

WHO IS THE MOST USED MACROECONOMIC TOOLKITS

Economists gather data about the world and then build models to explain those data and make predictions. Economist also gathered all the tools of economics into a toolkit. Not only economic scientist, but also government and monetary authorities have to use toolkit as a study aid preparing for a creation of macroeconomic policy to the future time.

⁹ See more: William J. Baumol, Alan S. Blinder: Macroeconomics, principles & policy, South-western CENGAGE Learning, 2009, part: The Economy – Myth and Reality, what missing from the picture? Government, p. 30-39

In the table no.1 we present the toolkits that can be used in macroeconomic researching.

Table 1. The Use of the Toolkits in Macroeconomics researching

Macroeconomic questions → Toolkits ↓	The State of Economy	The Interconnected Economy	Globalization and Competitiveness	Global Prosperity, global Poverty	Depressions and Recessions	Jobs in the Macro economy	Money	Central banking	Inflation	Incomes taxes	Social Security	Balancing the Budgets	The Global Financial Crisis
The Labor market		X	O			X			O	O		O	
Chooses over Time											O		
Discounted Present Value						O		O			O	O	O
The credit market (macro)		X					O	X				O	
Correcting for Inflation	X	O	O				O		O	O			
Supply and demand		X					O						
Comparative Advantages						X							
Comparative Statistic		X			O				O				
Nash Equilibrium					X				O				
The Foreign		X			O		X	O					

Exchange Market													
Growth Rates	O		O	O	O		O		O				
Mean and Variance			O		A				A				
Correlation and Causality					X				O		O		
The Fisher Equation		O					O	X	O				
The Aggregate Production Function			X	X	O								
The Circular Flow of Income	X	O	O	O	O		O		O	O		O	O
Growth Accounting			X	X	O								
The Solow Growth model			O	X									
The Aggregate Expenditures Model					X			O		O		O	
Price Adjustment					X			X	O	O			
Consumption and Saving										X			
The Government Budget Constraint									O	O	O	X	

The Life Cycle Model of Consumption					O						X	O	
Aggregate Supply and Demand					A			A	A	A			
The IS-LM Model							A	A	A				

Note: X = major use; O = minor use; A = use in advanced researching

The table above shows the main uses of each tool in marc - X, and the secondary uses are in marc -O. Some of the toolkits usually is used in advanced researching, so we marc them - A.

A SHORT EXPLINATION OF SOME OF THE TOOLKITS

A) Choices over Time

Individuals make decisions that unfold over time. Because individuals choose how to spend income earned over many periods on consumption goods over many periods, they sometimes wish to save or borrow rather than spend all their income in every period.

When the real interest rate increases, individuals will borrow less and (usually) save more (the effect of interest rate changes on saving is unclear as a matter of theory because income effects and substitution effects act in opposite directions).

Of course, individuals live for many periods and make frequent decisions on consumption and saving. The lifetime budget constraint is obtained using the idea of discounted present value:

discounted present value of lifetime income = discounted present value of lifetime consumption

The left side is a measure of all the disposable income the individual will receive over his lifetime (disposable means after taking into account taxes paid to the government and transfers received from the government). The right side calculates the value of consumption of all goods and services over an individual's lifetime.

B) Correlation and Causality

Correlation is a statistical measure describing how two variables move together. In contrast, causality (or causation) goes deeper into the relationship between two variables by looking for cause and effect. The fact

that one variable is correlated with another does not inform us about whether one variable causes the other.

Correlation is a statistical property that summarizes the way in which two variables move either over time or across people (firms, governments, etc.). The concept of correlation is quite natural to us, as we often take note of how two variables interrelate.

As one example, consider the relationship between a household's income and its expenditures. If you conducted a survey across households, it is likely that you would find that richer households spend more on most goods and services. In this case, we would conclude that income and expenditures are positively correlated.

When economists look at data for a whole economy, they often focus on a measure of how much is produced, which we call real gross domestic product (real GDP), and the fraction of workers without jobs, called the unemployment rate. Over long periods of time, when GDP is above average (the economy is doing well), the unemployment rate is below average. In this case, GDP and the unemployment rate are negatively correlated, as they tend to move in opposite directions. When real GDP is below average, as it is during a recession, the unemployment rate is typically above average. But what is the causality here? If unemployment caused recessions, we might be tempted to adopt a policy that makes unemployment illegal. For example, the government could fine firms if they lay off workers. This is not a good policy because we do not think that low unemployment causes high real GDP. Neither do we necessarily think that high real GDP causes low unemployment. Instead, based on economic theory, there are other influences that affect both real GDP and unemployment.

C) The Circular Flow of Income

The circular flow of income describes the flows of money among the five main sectors of an economy. As individuals and firms buy and sell goods and services, money flows among the different sectors of an economy. The circular flow of income describes these flows of money unit (денар, euros, or whatever). From a simple version of the circular flow, we learn that - as a matter of accounting:

gross domestic product (GDP) = income = production = spending.

This relationship lies at the heart of macroeconomic analysis.

There are two sides to every transaction. Corresponding to the flows of money in the circular flow, there are flows of goods and services among these sectors. For example, the wage income received by consumers is in return for labor services that flow from households to firms. The consumption spending of households is in return for the goods and services that flow from firms to households.

D) The Aggregate Expenditure Model

The aggregate expenditure model relates the components of spending (consumption, investment, government purchases, and net exports) to the level of economic activity. In the short run, taking the price level as fixed, the level of spending predicted by the aggregate expenditure model determines the level of economic activity in an economy.

An insight from the circular flow is that real gross domestic product (real GDP) measures three things: the production of firms, the income earned by households, and total spending on firms' output. The aggregate expenditure model focuses on the relationships between production (GDP) and planned spending:

$$\text{GDP} = \text{planned spending} = \text{consumption} + \text{investment} + \text{government purchases} + \text{net exports.}$$

Planned spending depends on the level of income/production in an economy, for the following reasons:¹⁰

- If households have higher income, they will increase their spending. (This is captured by the consumption function.)
- Firms are likely to decide that higher levels of production—particularly if they are expected to persist—mean that they should build up their capital stock and should thus increase their investment.
- Higher income means that domestic consumers are likely to spend more on imported goods. Since net exports equal exports minus imports, higher imports mean lower net exports.

E) Price Adjustment

The price adjustment equation summarizes, at the level of an entire economy, all the decisions about prices that are made by managers throughout the economy. The **price adjustment equation** is as follows:

$$\text{inflation rate} = \text{autonomous inflation} - \text{inflation sensitivity} \times \text{output gap.}$$

The equation tells us that there are two reasons for rising prices. The first is because the **output gap** is negative. The output gap is the difference between potential output and actual output:

$$\text{output gap} = \text{potential real gross domestic product (real GDP)} - \text{actual real GDP.}$$

A positive gap means that the economy is in recession—below potential output. If the economy is in a boom, then the output gap is negative.

¹⁰ See more: William J. Baumol, Alan S. Blinder: Macroeconomics, principles & policy, South-western CENGAGE Learning, 2009, chapter 8: Agregate Demand and the Powerful Consumer, p.153-175

The second reason for rising prices is that **autonomous inflation** is positive. Autonomous inflation refers to the inflation rate that prevails in an economy when an economy is at potential output (so the output gap is zero).

AN EVALUATION OF MACROECONOMIC POLICY FROM POINT VIEW OF THE MACROECONOMIC TOOLKITS

Since five or six years ago, economists around the world still studied a period that they named “the Great Moderation.” In the period after World War II, and even more specifically from the mid 1980s to the mid 2000s, economic performance in the United States, Europe, and many countries had been relatively placid. These countries enjoyed respectable levels of long-run growth, experienced only mild recessions, and enjoyed low and stable inflation. Many observers felt that this performance was in large measure due to the fact that economists and policymakers had learned how to conduct effective monetary and fiscal policies. Economists learned from the mistakes of the Great Depression and knew how to prevent serious economic downturns. Economists also learned from the mistakes made in the 1970s and knew how to avoid inflationary policies.

Macroeconomics was becoming less about diagnosing failure and more about explaining success.

And then suddenly developed world turn into great recession. The crisis of 2008 showed that a major economic catastrophe was not as unthinkable as economists and others hoped. The world experienced the most severe economic downturn since the Great Depression, and there was a period where it seemed possible that the crisis could even be on the same scale as the Great Depression. Countries like the United States and the United Kingdom faced protracted recessions. Countries such as Greece, Portugal, Ireland, and Iceland found themselves mired in debt crises. Spillovers and interconnections, real, financial and psychological, meant that events like the bankruptcy of Lehman Brothers reverberated throughout the economies of the world.

Macroeconomics is becoming less about diagnosing success and more about explaining failure.¹¹

First of all, everyone activity in macroeconomics start with some questions: How might government and monetary authorities encounter macroeconomics? What are the main indicators of the macroeconomy? What are the primary macroeconomic policy tools of the government?

¹¹ Brian Keeley, Patrick Love, From Crisis to Recovery, The Causes, Course and Consequences of the Great Recession, OECD 2010

The next questions are: What is the methodology of macroeconomics? What is the role of models in the making of macroeconomic policy? We have seen the news and policy in action everyday. But there is a vital piece missing: given the economic news, how do policymakers know what to do? The answer to this question is at the heart of macroeconomics - the basic methodology of macroeconomics.¹²

Macroeconomists typically begin by observing the world and then try to develop a theoretical framework to explain what they have seen. Usually, a theory developed by economists has a mathematical foundation, expressed by either equations or diagrams. There is even a bit of art here: the theoretical framework must be simple enough to work with yet realistic enough to be useful.

The frameworks, or models, as they are often called, are tested by their ability to match existing data and provide accurate predictions about new data. Models are constantly refined so that they can do a better job of matching facts. After many rounds of interaction between theory and data, a useful framework emerges. This then becomes the basis for policymaking.

How do policymakers know about the theories devised by economists? Politicians are typically not expert economists. In most countries, a large number of trained economists are employed as advisors to the government. These individuals have studied economic theory and are also familiar with economic statistics, allowing them to provide the link between the economic frameworks and the actual implementation of policy.

CONCLUSION

Mastering macroeconomics involves both understanding the tools that macroeconomists use and knowing how and when those tools should be applied.

The methodology of macroeconomics involves the interplay between data, models and policies. Abstract models provide policymakers with a framework to understand what is happening in the macroeconomy and also a way to predict the effects of policy actions.

Because they resurrected old problems, the crisis of 2008, as well as debt crisis of 2011, also resurrected old areas of study in macroeconomics. The events in Europe have prompted economists to review the debate over common currencies and the conduct of monetary policy. There has been

¹² Sanel Jakupovic, PhD: An Overview on the Economy of the Western Balkan Countries in terms of current crisis and determination the exit strategies for sustainable, smart and inclusive growth in the light of 'Europe2020' Strategy, EDASOL 2012 International Conference, Banja Luka.

increased investigation of the size of fiscal policy multipliers. At the same time, macroeconomists are devoting much attention to topics such as the connection between financial markets and the real economy. But this difficult period for the world economy has also been an exciting time for macroeconomists.

In the present, the study of macroeconomics has become more vital than ever - more alive and more essential.

We may conclude that still there are the same macroeconomic toolkits, still they are quality and usefully. Problem is also political and social, not only economical. One of the arguments is that “the Great Moderation” was not happen in developing and transitional economies, never.

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EXTERNAL COMPETITIVENESS OF THE WESTERN BALKAN COUNTRIES IN CONTEXT OF THE GLOBAL ECONOMIC AND FINANCIAL CRISIS¹³

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ABSTRACT

In a globalizing economy, maintaining and enhancing external competitiveness has become of increasing concern to countries around the world. This applies in particular to Western Balkans countries (WBC), whose small economies have to rely mainly on export-led growth and which have reported large current account deficits and widening trade deficits over the past decade. This paper aims to point out of the directions for achieving external competitiveness of WBC. Starting from the assumption that a strong export performance is a sign of a country's competitiveness in the long run, we have considered a broad list of indicators, such as those related to structural trade indicators, price and cost competitiveness, the sold of the current accounts, productivity, foreign direct investment, as well as institutional factors.

Secondary analysis of previous quantitative data and published studies, combined with an own qualitative study in the field has provided a reliable and convincing basis for analysis.

Keywords: *Western Balkans countries, external competitiveness, export performances, foreign direct investment*

INTRODUCTION

As small, open economies - more than one fifth of economic output and employment is based on exports - the Western Balkan countries economies (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Croatia¹⁴ and Serbia) were especially vulnerable to the effects

¹³ professional paper

¹⁴ In this study, we present data before 1 July 2013, the time when Croatia becomes the 28th Member State of the European Union

of the world crisis, especially the fall in global growth and trade. The pre-crisis growth model prevalent in most WBC, driven by consumption and financed by external sources, has proved to be unsustainable and many of these countries are now facing the challenge of achieving sustainable and balanced growth. The average annual growth rate of these countries of about 1.8%,¹⁵ as expected for 2014 is insufficient to stimulate socio-economic development and sustain the build-up of growth-enhancing infrastructure.

Among the causes of the severe impact of the global crisis on the WBC are the lack of demand on the world markets for their local products, reduced trade in general, limited access to funding, reduced direct foreign investment and last but not least the decreased amount of remittances flowing back into the region from migrant workers. Exports from the Western Balkans continue to consist mainly in low-value added products, including commodities that are subject to price volatility and strong competition from emerging markets.

When considering the countries in the Western Balkan region must have in mind that they are highly interconnected and interdependent and are small economies and not very large markets (*Jeleva, 2012*). The small size of most of their economies¹⁶ implies the critical importance of an export-led growth. As such, addressing external competitiveness has arguably become a more salient issue to WB countries than ever before.

The accession and participation on the common EU market bring additional challenges to these rather non-competitive economies. What comes into perspective when having in mind the integration prospects is the evolution of trade between these countries and EU (*Botrić, 2012*). Foreign imbalances, which were clearly unsustainable for some Western Balkan countries in the last decade, have generally improved, but all countries are far from exhibiting surpluses of net exports that would indicate their external competitiveness. These include labour market mismatches and rigidities, business environment complexities, lack of competitiveness, as well as weak political and economic governance and public sector management. The crisis has also highlighted internal structural weaknesses and exposed a lack of progress in reforms that would release public resources for investments in growth sustaining infrastructure (*Jeleva, 2012*).

Exports are critical not only because, as a source of demand, they would allow a more balanced growth, 'but also because they are an

¹⁵ Sources: Eurostat and own calculations.

¹⁶ Statistics on population size are highly doubtful, due to the lack of recent census in some of the countries, we are discussing, but in any case, the region's common market encompasses little more than 20 million people.

important motor of innovation, and therefore of higher sustainable growth' (*EBRD, 2013*).

The paper has considered the different studies related to the external competitiveness of the Western Balkan countries during the global economic crisis by using statistical macroeconomic analysis. The paper is organised as follows: first, we provide a concise overview of structural trade indicators for the WB countries. This is followed by a discussion of the price and cost related aspects of competitiveness. Our analysis is completed by a discussion of the two main factors behind export performance: foreign direct investment and institutional and structural issues.

STRUCTURAL TRADE INDICATORS

The nature of economic specialization of a country matters for its growth performance and export growth prospects. Export diversification (in terms of both industrial sectors and trade partners) is considered inevitable for improving a country's resilience to economic demand shocks and for fostering further export growth. WB countries feature varying levels of export diversification. A common characteristic among these countries is their strong dependency on imports, which is reflected by their (at times) considerable current account deficits. Serbia has successfully expanded its exports in sectors featuring growing global markets, whereas either the other countries have specialised in slow-growing sectors or the growth of their key exports has not been able to match the global sectoral averages (*Orszaghova et al, 2013*).

In order to retain competitiveness in global markets, countries need to have a domestic industry that evolves in line with global demand. Exports in fast-growing sectors (and exports to growing economies) are vital for enhancing future economic performance, while flexibility in the reallocation of resources towards new, promising activities is important for improving competitiveness. So far, trade has not played a compelling role in the WBC growth story and exports, especially merchandises exports, are in fact the weak link in growth (*Snoy, 2011*).

A significant share of the export base of WBC is accounted for by products of low complexity. Agricultural products, textiles and basic metal goods are, in general, some of the most important exports of these countries. Apart from the limitations to growth already mentioned (particularly in terms of the low-wage competition), specialisation in clothing and textile products seems to be particularly vulnerable when one considers the low growth in global demand for these products.

Given these developments, we posit that, in general, the export structure of WB countries appears to be dominated by slower-growing industries. Moreover, some countries have faced structural shortcomings in their major industries and have not managed to catch up with the average export growth levels registered in global markets. This may impede the future economic performance. Having said this, a slight reallocation towards new, higher-growth industries can also be observed.

The EU is the Western Balkans' largest trading partner (*Grupe and Kušić, 2005*), accounting for about two thirds of the region's total trade. As a whole the region's share of overall EU trade was 1,4% in 2012, however individual countries' shares were very low - Croatia 0,5%, Serbia 0,4%, Macedonia 0,2%, Bosnia and Herzegovina 0,2%, Albania 0,1%, Montenegro 0,0% and Kosovo 0,0%. In 2012, the EU's main imports from Western Balkans were manufactured goods classified chiefly by materials (21.7%), manufactured articles (20.9%), and machinery and transport equipment (20.7%). The EU's exports to the Western Balkans were mainly machinery and transport equipment (25.3%), manufactured goods classified mainly by material (21.2%), chemicals (15.1%), and mineral fuels (14.8%) (*European Commission, 2013*).

Trade with euro area is slightly more important in the case of Albania and BiH, and slightly less for Serbia, which has relatively strong trade links with Russia and other emerging European economies. Within the euro area, Italy is generally the most important export market for the region, especially for Albania, while Greece is the most important export market for Montenegro. Trade linkages with the rest of the euro area are mostly dominated by Germany, with countries such as Austria, Slovenia, France, Spain, Belgium, the Netherlands and the UK also being on the list (*IRIS, 2010*). Experiences with CEFTA and existing trade and specialization patterns suggest low level of potential intra-regional trade, especially given the small size of the regional market and similar competitive (*Grupe and Kušić, 2005*). All CEFTA countries trade between 66% and 50% of total volume with EU27. More than $\frac{3}{4}$ of the volume in WB countries is traded with EU27 and candidate countries (*European Commission, 2013*). And, along the track to EU accession and entering the customs union, we can expect that this number will increase further for every state in WB. Therefore, the most important factor for future trade freedom in WB countries will be, on one side, ability of a country to join EU as soon as possible and, more importantly, the ability of EU to promote and ensure free trade internationally.

Intensifying trade, and possibly intensifying trade with more demanding markets, might be of crucial importance for the future

developments of Western Balkan countries (*Botrić, 2012*). This could be achieved by exploring new export patterns and identifying additional priority areas. There is a need for deeper regional integration between Western Balkan countries to increase the region's attractiveness for investors and foreign direct investment (FDI) inflows. Further efforts are required to intensify the development of domestic human capital, to improve productivity and help overcome the predominance of low-skill content in exports.

PRICE AND COST RELATED ASPECTS OF COMPETITIVENESS

Assessments of prices and production costs are among the standard tools that are used to measure the external competitiveness of a country. In general, an appreciation of the domestic currency or a sharp increase in domestic prices reduces a country's capacity to compete in global markets. However, a deterioration of price and cost indicators could also be one element accompanying the convergence process and it may be compensated by improvements in non-price competitiveness (*Orszaghova et al, 2013*)

Traditional price and cost indicators can only partially explain the divergent export performance observed. Indeed, over the pre-crisis period, all WBC experienced a loss in price and cost competitiveness. In the context of an economic catching-up process, it seems natural that unit labour costs and real effective exchange rates have increased. Yet, labour productivity has not grown in line with the increased cost of labour and prices have risen faster than the level of convergence, which has thus affected competitiveness and contributed to increasing trade deficits. The higher prices extend their negative impact in other countries as well, making imports for these countries more expensive and increasing their costs of production. However, it depends of course from the structure of the imports.

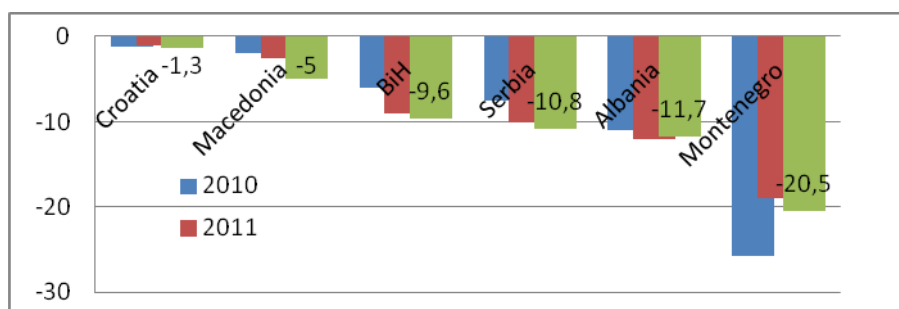
The lack of adjustment in price and cost indicators since the start of the crisis continues to weigh on the external competitiveness of these countries. This can partly explain their short-term vulnerability in terms of export performance (together with their loss of price and cost competitiveness), and an adjustment in their export orientation strategy may be needed in the near future.

THE SOLD OF THE CURRENT ACCOUNT

Since 2009 the deficit of payment balance and current account deficit has been decreasing, but it is still high, except in Croatia and Macedonia.

Montenegro, Albania and Serbia had the highest deficit (see *Figure 1*). In 2012 the problem accelerated in Serbia, BIH, and Montenegro, mainly because trade deficits widened with the decline in exports and only moderate growth in imports and also mostly due to high government spending and political inability to curb it. The negative trend in both current account and trade balances is a corollary of the decline in EU demand for WBC commodities. The other negative impact on current account balance came from a drop of net transfers from remittances (*European Commission, 2013a*).

Figure 1: Current Account Deficits, 2010-12 (% GDP)



Source: European Commission. (2013a)

Since FDI has been falling in most countries (but not all) the increased deficits were more often than not financed by the additional government borrowing, which has led to an increase in external debt to sometimes prohibitively high levels (especially during the crisis). The high levels of the current account deficits in Montenegro and Albania have been sustained by a continuing inflow of FDI into those countries, albeit at a lower level than before the onset of the crisis. In Croatia and Macedonia current account deficits fell to relatively low levels in relation to GDP, which was in line with the lower levels of FDI inflows into those two countries. The high current account deficits in Bosnia and Herzegovina and in Serbia were partly financed by IMF loans supplemented by funds from the World Bank and the EU.

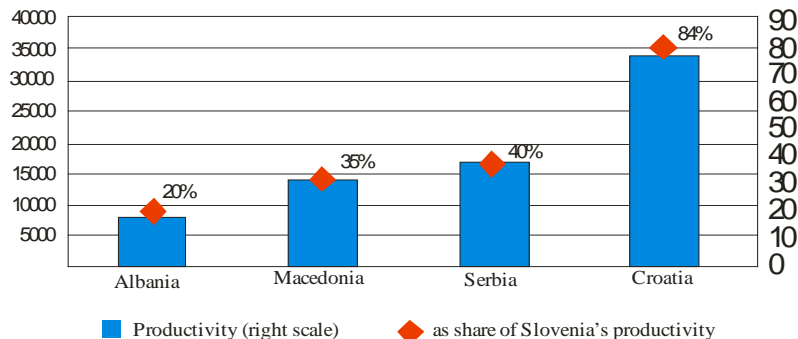
PRODUCTIVITY AND COMPETITIVENESS

Improving productivity levels and competitiveness are key challenges for the Western Balkan countries in order to achieve higher growth rates in the medium to long-run, and hence for substantially reducing unemployment.

The inherent structural weaknesses both on the goods markets and the labour markets across the region lead to relatively low competitiveness. The limited role of innovation in the region contributes significantly to low competitiveness. Public sector expenditure on research and development is well below 1% of GDP in all WBC, except Montenegro with 1.1% of GDP (WBIF, 2013). In addition, businesses spend less on innovation than any other region in Europe. This combined with the relatively poor education attainment of the population (both in terms of quantity and quality), contributes to low value added exports from Western Balkan countries: intermediate goods and traditional services form the major part of their exports.

Productivity in the region is relatively low, limiting the country's competitiveness and growth potential. Figure 2 shows the productivity of workers in selected WB countries, expressed as value added per workers in the industry (in 2005 USD per year). For a comparison purposes, the ratio of country's productivity to the productivity of a Slovenian workers is shown (WBIF 2013a).

Figure 2: Productivity and productivity gaps in selected Western Balkan countries



Source: WBIF (2013a).

Based on this information, it appears that there is a large productivity gap between Albania, Macedonia and Serbia on one hand and Slovenia, on the other hand. For instance, a typical Albanian worker from the manufacturing industry can produce only one fifth of what a typical Slovenian worker produces per year. Low quality of the labour force and skills mismatches contribute to such low productivity levels, which in turn affect the international competitiveness of the countries.

Competitiveness and productivity of the region are very low, in part due to a low innovation capacity, and inappropriate skills of the

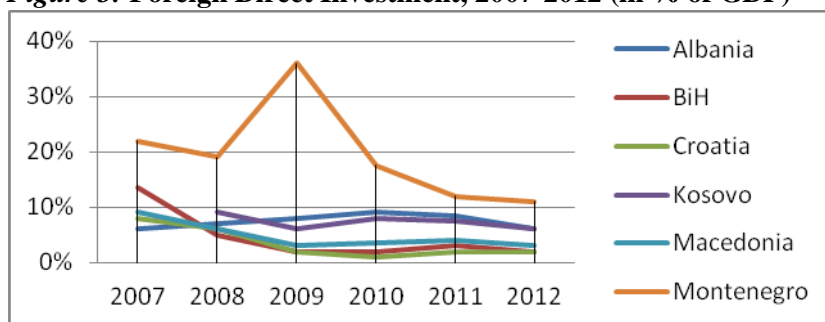
labour force. Structural reforms in the goods and labour markets, greater inflows of FDI, more appropriate education and training systems, etc. would all contribute to achieving higher competitiveness and productivity and hence faster long-run growth.

FOREIGN DIRECT INVESTMENT

All WB countries have attracted considerable FDI over the past decade, which largely has helped in covering their current account deficits. However, the level of inward FDI per capita has differed substantially across the board, with Croatia and Montenegro having been the most successful of the WB countries in attracting FDI during this period. Meanwhile, the FDI stocks per capita of the Macedonia and Serbia have been among the lowest, and these have mostly been directed towards the tradable sectors.

When investigating the relationship between FDI and trade performance, one can expect a natural lag of several years between the time an investment is made and the moment from which it starts to pay off in terms of output. However, establishing a strong link is very difficult when relying on descriptive statistics only, particularly given the fact that most FDI has not flowed into the tradable sectors.

Figure 3: Foreign Direct Investment, 2007-2012 (in % of GDP)



Source: WBIF (2013a).

In the pre-crisis years some of the countries in the region (especially Montenegro and Croatia) were among the front-runners in FDI as a share of GDP (see Figure 3). After the crisis began, the FDI flows diminished as the result, more or less, of a chain reaction: the FDI in the Western Balkans was mainly obtained from the developed countries, where the crisis started in 2007 and was in full swing in 2008, with the 2010-2012 average investment in absolute terms representing only half of the 2006-2008 average value (European Commission, 2013).

Foreign direct investments have economic justification only if they increase export competitiveness, international competitiveness of products and the employment rate and reduce the trade deficit. FDI cannot improve balance of payments positions of companies in the first year, because foreign investors use their own contractors and traditional partners and, in this way, increases import. However, if the Western Balkans do not increase export competitiveness in compliance with decrease of dependence of import, it will be huge foreign trade deficit in the future (*Žugić, 2010*).

While part of this fall in FDI can be attributed to negative economic developments in the investors' home markets, it is also likely to indicate a lack of confidence in the political, economic, institutional and regulatory environment of the beneficiary countries in the Western Balkans. Poor institutional and physical infrastructure, relatively low market and labour efficiency, as well as limited innovation and sophistication potential of the region are serious limitations to the competitiveness of the region.

STRUCTURAL AND INSTIUTIONAL ENVIRONMENT OF WESTERN BALKANS

A favorable business environment is one of the key preconditions for the economic recovery and growth of the Western Balkan region, as many elements of a solid business environment, such as efficient and predictable government institutions, an educated labour force, a good physical infrastructure, and access to finance, have direct effects to the economic growth. The recent economic crisis has underscored the importance of a competitiveness-supporting economic environment for better enabling national economies to absorb shocks and ensure solid economic performance (*Penev, 2012*).

A number of international surveys and datasets attempt to measure the various components of the business environment. According to them, the Western Balkan countries are lagging behind the EU-27 in a range of competitiveness, business and investment environment and institutional reform indicators. Business environment indicators have shown improvement in WB countries, especially in areas such as starting a business, dealing with construction permits and ease of paying taxes (*Bogetić, 2012*).

According to the Doing Business 2013 ranking list, Macedonia was ranked 23rd and it is followed by Montenegro, which is 51st, due to intensive reforms in several reform areas. Macedonia has managed to improve many dimensions of its business environment, showing that it can be done in other

countries in the region, too. Albania worsened its position in 2013 and was ranked 85th. Serbia improved its position and was ranked 86th, while Bosnia and Herzegovina worsened its positions for one spot, due to the reduced intensity of reforms. In 2012, Kosovo was ranked far below the regional average (117th), while in 2013 Doing Business it ranked 98th, improving its position 19 spots (*World Bank and International Finance Corporation, 2013*).

The *Global Competitiveness Index* looks at different areas related to institutional/administrative obstacles to competitiveness. Areas that exhibit particular flaws in the region are business sophistication, market size, and labour market efficiency. The rankings for institutions range from 72th place for Macedonia and Serbia, to 95 place for Montenegro, out of the 144 countries ranked (*WEF, 2013*).

Considering previous indicators presented, it is obvious that the investment climate in the Western Balkans still exhibits significant shortcomings. Skills, technology absorption, capacity, institution building and the overall business environment will become more important (*Snoy, 2011*). A closer look at the key aspects affecting the investment climate, in particular the frail institutional and administrative framework, clearly indicates that there is substantial room for improving the overall business climate to boost investments and other economic activities, notably for involving the private sector in infrastructure developments.

CONCLUSIONS

In conclusion, any new growth agenda in the Western Balkans needs to incorporate a greater focus on exports, linking the growth of exports to innovation, attracting foreign direct investments and the improvement of the business climate. Looking at export characteristics, we observe some positive developments in some WB countries. Most WBC have diversified their exports, both in terms of the number of trading partners and the number of products exported, thereby enhancing their resilience to economic shocks. However, there is a need of more strategic approach and to the adoption of comprehensive measures, such as:

- Intensifying trade with EU and more demanding markets, might be of crucial importance for the future developments of Western Balkan countries;
- The changes of export structure towards higher value added products are a precondition of a growth in export competitiveness. Other measures to boost exports include diversifying export markets and sectors.

- Encouraging trade and improvement of the Western Balkan countries' potential for exports and imports, especially through appropriate infrastructural links, which can make them, combined, and the region as a whole, more attractive for investment than any Western Balkan country taken separately;
- The focus must be on maintaining price competitiveness, stabilizing labour costs and improving productivity, all of which require extensive and difficult reforms.
- Further efforts on the part of WB countries to improve their business environment by implementing effective legislation and reducing bureaucratic hindrance and corruption could help draw the interest of foreign investors. Under current circumstances, it will be quite a challenge to attract foreign investment. This only serves to underline that the management of FDI and its diffusion to tradable sectors, particularly manufacturing, is also of great importance.

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ELEMENTS OF ENTREPRENEURIAL ENVIRONMENT FOR THE FAMILY BUSINESS DEVELOPMENT¹⁷

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Abstract

Family businesses today are the largest generators of family wealth and they employ a significant portion of the working population. Although the accuracy can not be said, however it is estimated that, depending on the individual countries the number of family businesses spanning from 65% to 90% of the total number of active companies.

Involvement of the term entrepreneurship is an inseparable part of the modern way of doing business. In theory and practice rarely, found activities or branches not associated with the business and be entrepreneurial exclusively or on the other hand, there is no area where the business is involved, and you cannot find a trace of entrepreneurship.

Entrepreneurship, the most given emphasis in the areas that provide the opportunity to leverage the innovation and its implementation in practice.

Therefore, entrepreneurship is present in all forms of business, where the dominant role in decision-making have people who know and understand and who are willing and able to accept the following challenges: To see the "away" from the rest; To start a business of their own ideas; Bring new business ideas; To follow the intuition; To accept the risk; Be willing to enter in direct conflict; Already existing things work different or new way of existing; Carefully and keep working on solving all problems and so on. Entrepreneurship cannot be considered particularly of entrepreneurs, because we say that exactly entrepreneurs can describe entrepreneurship.

In this paper, we pay attention to some of the elements of the entrepreneurial environment that are necessary in the development of small businesses including family businesses. In this regard, I want to stress the need for support in creating an entrepreneurial environment and entrepreneurial economy in the development of family businesses.

¹⁷ professional paper

Key words: family business, entrepreneurial economy, economic development, entrepreneurial environment

INTRODUCTON

There are many types of entrepreneurs, and to be able to understand, you say that there are as many types of entrepreneurs, as there are differences between entrepreneurial and non-entrepreneurial people. Thus, entrepreneurial traits equally found in both men and women and younger and older, however, the society will have to create an environment in which all will strive to create success and failure will not discourage it will be a motivation to achieve even greater success.

Owners of family businesses, accept new challenges while running a business. They constantly strive to create conditions for achieving higher profits, which is one of the main goals of all businesses. To accomplish this, they have to be one-step ahead of the rest, need to use their intuitive and innovative capabilities, and the market to offer what consumers show interest. In addition, that interest should be followed predicted, which offered product or service would satisfy the tastes of consumers or users. In this regard, stresses the need for constant innovation of new products and services, many of which can contribute to improving the profit family businesses.

There are six golden rules for entrepreneurs¹⁸. Entrepreneur is a hero, but also a victim of its own way and therefore must comply with these rules: Know yourself; be comprehensive; be consistent; minimize the consequences of their failure; Search new roads; be ready for change.

ENTREPRENEURSHIP ON FAMILY BUSINESS

We have seen that entrepreneurship occurs in all forms of business organization, so in family businesses. Since it is for businesses that usually belong to the group of small and medium enterprises and the possibility of their easier reorganization, family businesses can more quickly respond to environmental challenges.

According to the latest research¹⁹, the head of the family business, you need

¹⁸ David Robinson "The Naked Entrepreneur", Kogan Page Ltd. London 1991, p. 113

¹⁹ <http://www.familybusinessmagazine.com/>

to be an entrepreneur, often after long-term learning from mistakes, comes up with the idea as to the opportunity that is pointing in the market. He develops this idea, runs with the same make successes until it reaches its maximum charge. Then the work goes into another phase, which is characterized by more or less lag in operation. If the company is lucky, when the time comes the new entrepreneur to enter the scene, he will re-create success from the beginning. In other words, the classic kind of family business that has the ability to evolve from generation to generation, seeks every entrepreneur creates and develops its own strategic success which develops and complements business.

The question that has characterized such leaders able to endure multiple strategically resurgence in an organization fits that entrepreneurs who live and work in the entrepreneurial society²⁰.

Based on the research made by John Word one of the most prominent researchers on the topic of family businesses are coming to the realization that the specifics have family businesses and entrepreneurship are determined by the following four characteristics.

1. Entrepreneurs have an unfinished mission. Motivate the mission that makes them reach for the future and tend to progress in continue. They will never be happy with themselves, because their mission can be accomplished.
2. They believe that the makers and creators of the philosophy of management. They are not so willing to talk about their products or for purchase, as long as you are willing to discuss their theories of management. They take personal responsibility for what goes well in the company.
3. They are active in the world of ideas. Entrepreneurs have the courage to be an example. They are willing to test their philosophy of management outside of their organization, while at the same time and to come up with feedback that continuously allowed him to become better and better.
4. Entrepreneurs see themselves as guardians of their companies. Although they have absolute control over the company, they are not

²⁰ John. L. Word, Perpetuating the family business, 2004

possessive towards the company. They trying to dispersed company and believe it is the only institution which itself deserves to be preserved. Thus, Tami Longaberger, which is the managing director of the company "Longaberger", as well as a family business, founded by her father, Dave Longaberger, says her father always looked ahead and all the meetings has been posing the same question: "For 100 years we will all be dead, but then the company will look like? That these future generations will endeavor to make ... "He wanted this issue to be the guiding idea in the work of his company Langeberger"²¹.

These four characteristics of the entrepreneurial society are mutually intertwined. Thus, if an entrepreneur sees himself as trustee, he will strive to preserve and improve the operation of the family business. To do that, he needs a philosophy of management, which allows people to grow and develop. These meanings of entrepreneurship and family businesses in accordance with the office of leader who can lead the company that will be able in the future continuous strategic change. If the family business can be changed and developed, he will never become large enough, healthy enough, shapely and attractive enough to be able to attract a larger part of the family and support bigger family through many generations that would be involved in the running of the family business.

Entrepreneurship helps the owner-manager to solve two key problems facing family business.

First, if there is a competent successor to the family business and the ability of the founder of the family business to leave the control of his descendants. By definition, an entrepreneur is prone to indulging in control of the company, given that it wants to create an institution that would be able to continue to work successfully and after his departure from the firm. As part of the process of creating a philosophy of management, the entrepreneur will develop leadership in the next generation of the family business, which will be able to take the process of managing a company, and that most would be the sons, daughters or team from the descendants of the owner.

Second, when its founder and entrepreneur then, the development of

²¹ Lbid., p. xii

the company family business as the aim from the very beginning of the company's work. It is likely that the company's founder will set goals that you must meet to the second generation, to become attractive to most competent young family members.

SOME ELEMENTS OF ENTREPRENEURIAL ENVIRONMENT FOR DEVELOPMENT OF FAMILY BUSINESSES

From the above we can draw the conclusion from which will arise the elements of the entrepreneurial environment on family businesses, such as: free enterprise, private property, equals conditions, administrative obstacles, and the environment and so on.

Hence, you get to review them individually and their brief explanation:

- *Free Initiative*

As a good example, which expresses the meaning of free enterprise in the development of family businesses may be considering entrepreneurial attitudes of owners of family businesses. An entrepreneur is defined as a person who can predict, define and rate business ideas and properly organized with a view to their complete fulfillment. Therefore, an entrepreneur in the family business located in the center of the entrepreneurial process and is a major factor that affects the development of the family business. However, any entrepreneur, and there are even those who run family businesses should get in front of him the question "do you possess basic entrepreneurial qualities". Therefore, when we talk about family business, an entrepreneur must answer the question: what, how and for whom to produce.

In seeking the answer to these questions, he starts from himself as the owner of the business. His ideas based on his personal character, he must answer where the goal, that is our goal is and how to reach the goal. Therefore, entrepreneurial attributes arising from a person's character: determination to complete the matter without considering the environmental impact, dynamic personality, the ability to open and examine themselves and their ideas, independent of the advice of others, ready for new perspectives, able to keep under control his impulsiveness and feelings and to do the best with the resources available to them.

- *Private property*

Private property, in fact, the mean concentration of the means of production and labor. It provides such a development of social labor that cannot be imagined social formations that preceded this property. Once you conquer the social production, it remains to labor based on its internal laws. Privately owned family businesses in the development, enables the use of all the benefits from the development of science and technology, in terms of market penetration, increase production, and thus profits. In this segment to highlight family businesses and the need for capital to produce larger quantities of product. His ability to succeed depends on the amount of capital and the number of people that this capital can give them a job.

The little capital in family businesses is forced to choose one of the two offered solutions: 1) eat their capital, which will lead to a permanent fire of his business or 2) to deal with the work itself to sell cheaper, but the raw materials that purchase more expensive which could not withstand the fierce competition.

Thus, family businesses tend to provide part of the supply of raw materials to be owned by them, in order not to depend on others or their industrial enterprises associated with trade, not only for the sale of products from own production, but also buying different kind of products and selling them. In this way, the owner of the family business managed to reduce competition and because of the scale of its business, it is capable to combine different branches of production.

- *Equal conditions;*

Development of family businesses, largely depends on equal his treatment by the state compared to other businesses. Therefore, we say that all businesses should apply the same conditions for their functioning and development. First, here are the thoughts of tax and financial policy and monetary-credit policy of the state.

Through these instruments, the state has a plan to initiate equitable distribution of national income, as well as removing the weaknesses of the market. The state assumes a significant role in the area of investment, consumption, progressively increasing income, equal conditions for social duties. Especially emphasized control and prevention of monopolistic

pricing. Thereby creating equal conditions for all entities operating on the market, even for family businesses, and state intervention is an integral part in the functioning of the economy.

The essence of state intervention in the economy consists of actions that the state organizes and undertakes to affect the volume of investment activity by: creating the conditions and encourage private investment or through own investment activity to direct investments and affect their structure which will provide investment activity in those sectors and areas for which there is not enough interest.

- *Administrative barriers*

Of course, the normal operation of family businesses and businesses in general in a society is the creation of conditions in which these businesses would function normally. However, there are always entrepreneurs and business owners fall into understanding among authorities such administrative obstacles, greatly slow down the development of businesses and their expansion. Starting a business is a separate story, especially when the matter will fall into "administrative maze", and this phenomenon is a result of inefficient administration. All this makes entrepreneurs or owners of the family business to face additional costs in setting up the business, and the time you spend around t. q. "Administrative maze" causes an additional cost.

Such phenomena, undoubtedly initiate reforms in the administration, which should be achieved by changing and amending legislation, and with continuous training of human resources, which are part of the system of society. With the need to create economic climate for business development, administrative obstacles should not only minimize, but they need to be fully removed.

- *The environment*

Another element of the entrepreneurial environment for the development of family businesses is environment. It should be understood in the most general sense, refers to the political, economic, social, cultural, climate, geographical and other environments.

Every problem that sees in everyday life and in the work of family businesses, particularly in the market can be seen as a potential business

opportunity. Such thinking in keeping family businesses is an essential step in developing a business idea that is viable in practice. However, when determining the business prospects of family businesses in the beginning should be avoided thinking about profitability despite a basis for business development is the realization of profit. The essence of success is to offer solutions to existing problems, as an opportunity to exit and market penetration, and every situation is a potential cause of problem.

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**BUSINESS ENVIRONMENT AND DEVELOPMENT
OF SMALL AND MEDIUM ENTERPRISES IN
REPUBLIC OF MACEDONIA²²**

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Abstract

Small and medium enterprises are spiritusmovens for development of modern market economies. Especially their role is highlighted in decreasing unemployment, creating GDP, added value and export. Having in mind the previous statement, researching focus of this paper is directed towards analysis of business environment for development of small and medium enterprises in R.Macedonia. Unfortunately, small and medium enterprises in our country are faced with numerous barriers, and it was the basic motive to implement researching project through which the key barriers for their development would be identified. Based on the obtained results of the research, some conclusions will be presented, and also numerous measures and proposals that will enable creation of business environment for encouraging development of small and medium enterprises in R.Macedonia.

Key words: small and middle enterprises, economic development, business climate.

²² review scientific paper

INTRODUCTION

The significant appearance in period of 70th years of 20 centuries was decreasing the rate of GDP, increasing the unemployment, decreasing the investment activities est. The only way for enlarging the economics activities is bigger liberty on the market and decreasing the role of the state in the economy life. That is important for convalescence the competition, entrepreneurship and economy efficiently in the national economy. It helps for entrepreneurship's reconstitution, manifested by establishing the small and medium enterprises which lean on creativity, entrepreneurship spirit and individual innovation. On this way the economy structure have had more flexibility and the probabilities for productivity – technically reconstructions. The number of SMEs is increasing permanently in developed countries but also in developing countries. The development of small and medium enterprises is closely correlated with the business environment in the country, and therefore the main objective of this paper is to study the correlation about the business environment and the development of small and medium enterprises in Republic of Macedonia.

LITERATURE REVIEW

In the studies of Meghana Ayyagari, Thorsten Beck and AsliDemirguc-Kunt (2005), by use of regression based on ANOVA approach, it is clearly shown that variations in determining the size of SME sector in production, can be explained by variations among different countries at regulation of business environment, including the firm's benefits for input and output, regulations for working relations, approach to the credits and fulfillment of the contracts. And, it is confirmed that lower input expenses, easier access to finances and more information, most frequently contribute to increase of SME sector in production, while the research results confirm that there is a positive correlation between the importance of SME and GDP per capita. According to G. Gebremariam , T.G. Gebremedhin and R.W. Jackson (2004), small and medium enterprises of private ownership, through their capital investments, create jobs and open new possibilities, and with that they directly contribute to building the community and social activities in small towns and rural areas. By creating jobs and promoting economic growth , the small and middle enterprises play key role in decreasing poverty. Examination of the relationship between small businesses , economic development and poverty is a subject of many researchers, who have made many attempts to establish statistical relations between the official rates of poverty and total

macroeconomic performances on the base of aggregate time series (Freeman, 2002; Haveman&Schwabish, 2000; Powers, 1995; Blank & Card 1993, Blank & Blinder, 1986).

David Birch, in his study in 1979 on unemployment in USA , came to a conclusion that in the period between 1969 – 1976, 80% of created jobs in USA were by firms that had less than 100 employees. From a.m. data, it can be seen that, due to contemporary business conditions, sharp competitive struggle, uncertainty and risk, recent studies put higher accent on the small and medium enterprises , which with their flexibility and innovativeness, have the key role in the economic development, i.e. in reducing unemployment and decreasing the poverty

IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES FOR ECONOMIC DEVELOPMENT IN REPUBLIC OF MACEDONIA

Small and medium enterprises, with their resilience, vitality, intensity, adjustment to the requests of domestic and foreign market, competitiveness, supply of new technologies and knowledge, contribute to creation of new jobs and production growth, and with that, to national economy development. Classification of business entities in R.Macedonia as per their size, is made according to the European Commission revised definition from May 2003, by the following criteria: number of employees, resources turnover and balance sheet. Today, most of the business entities in R. Macedonia belong to the category micro and small enterprises. In fact, they represent 99% of the total number of active firms , which is important indicator for their participation of this category of enterprises in the country economy. Namely, in 2012 from all 74 424 business entities, 67 065 are small and medium enterprises (www.stat.gov.mk).

The small and medium enterprises have big participation in the gross production value. From year-to-year there is a positive trend for increasing the gross production value of the small and medium enterprises, and also their contribution into the gross added value (GAV) is increased, which is an important indicator of the country economical prosperity. The small and medium enterprises are known as job creators, and this is confirmed by the following detail, in 2009 of totally 629 901 employed people, 272 749 people were employed only in the small and medium enterprises, i.e. SME sector employs more than $\frac{3}{4}$, i.e. almost $\frac{4}{5}$ of total labour force in R.Macedonia.

ASSESSING OF BUSINESS CLIMATE IN REPUBLIC OF MACEDONIA ACCORDING TO SOME RELEVANT INTERNATIONAL INSTITUTION

Business environment has crucial importance for all movements and activities and it is a basic element for revival of the economy generally. Because of that, it deserves special place in examining the ways for achieving growth and development of both small businesses , and entire national economy . Creation of proper business environment means setting and applying of systematic laws which will eliminate the barriers for undisturbed and fast development of SME sector, creation of national politics for supporting small businesses , that will accelerate entrepreneurship in the country and will provide necessary production restructuring. In the respect of assessing business climate of national economies, The World Bank has started publishing the Doing Business report since 2004. According to this Report, movement of the rank of R.Macedonia in the period from 2006 to 2013 is shown in table 1.

Table 1: Doing business rang of Republic of Macedonia

Year	2008	2009	2010	2011	2012	2013
DB rang	79	71	36	38	22	25

Source: Doing business reports

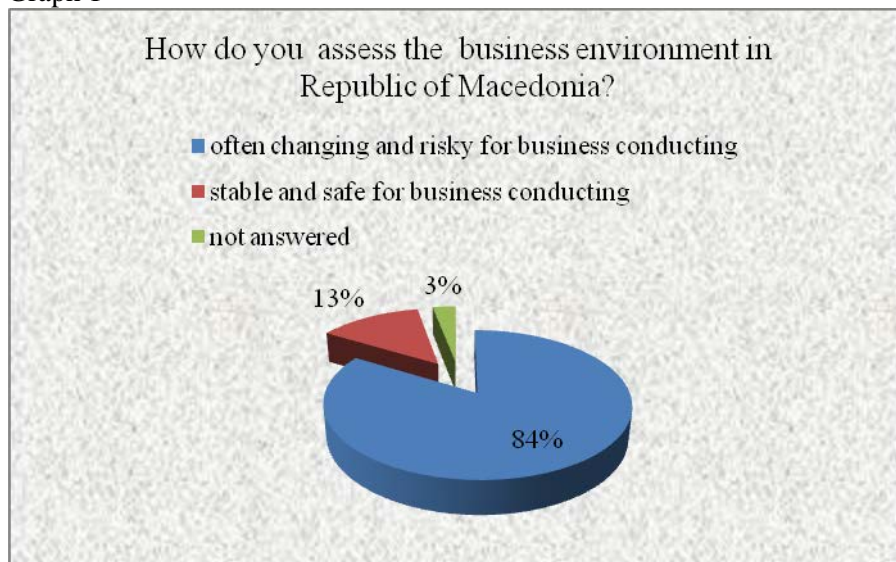
From the mentioned data in the table, the advancement that R.Macedonia has achieved in the conditions for business conducting , can be clearly seen, i.e. in 2012 Macedonia managed to reach 22nd place , compared to 81st place in 2006. Namely, Republic of Macedonia is in top ten reformers in 2013, and significant reforms have been taken over in the field of getting credit, working licenses, assets registration, investors protection and taxes payment.

RESEARCHING PROJECT FOR IDENTIFICATION OF KEY BARRIERS FOR SMEs DEVELOPMENT

In order to confirm the managers' attitudes and perceptions of the business environment in Republic of Macedonia, an examination of a representative sample of 202 companies, was conducted in the period November 2011 to March 2012. The examination is comprised of introductory part, analysis of the results from the implemented field examination through survey questionnaire and interviews with managers, and conclusions are presented in a form of draft measures and recommendations for overcoming the barriers for SME development and creating business environment that will

enable their support and development. For realizing this examination and providing necessary data, large number of methods was used, i.e.: examination of structured questionnaire ; interviews with managers; research through Internet and other methods. From the answers, it can be seen that most of the respondents, i.e. 35% are involved in retail and wholesale trade, 30% are from production sector, and 35% of the respondents are from the service sector. On the question “ how do you estimate the business environment in Republic of Macedonia” the following answers are obtained:

Graph 1



As it can be seen from the graph, even 84% of the respondents said that the environment was often changing and risky for business conducting, 13% answered that the environment was stable and safe for business conducting, and 3% did not give any answer to this question. The answers to this question without doubt confirm that the environment in Republic of Macedonia is often changing and risky for business conducting. When it comes to risky environment, it can be concluded that large part of the respondents allude to high interest rates, fiscal load and expenses, i.e. bureaucratization of administrative procedures, and therefore we carried out a testing of the following hypothesis: the business environment depends on the height of the interest rate, fiscal facility and bureaucratization and expenses of the administrative procedures for business conducting. Testing of this hypothesis has been carried out by multiply linear regression model, and the following results have been obtained:

$$Y = 0,76 + 0,18X + 0,04X^2 + 0,08X^3 + 0,34$$

Table 2: Regression Statistics

Multiple R	0,2782181
Standard Error	0,3367366
F	4,8941441
Significance F	0,002722128

Having in mind data for empirical value F (4,8941441) and theoretical value F_0 (as per Snedecorov's schedule, it is 2,66), the previously established hypothesis is cancelled. But, should we also take into account the results for partial coefficient of determination (Adjusted R Square), which shows that only 6,1% of height variability of the business environment is defined by the height of the interest rates, fiscal facilities for SMEs, administrative procedures for starting and running the business, it is completely clear that there are even more factors that determine the business environment, such as , for example: procedures, expenses and minimal capital for starting business procedures, costs and time needed for getting permissions; taxes payment, foreign trade etc. Namely, changes in these indicators are published every year in Doing business report that ranks countries according to the business environment , i.e. conditions for business running in the country. In that context , by use of regressive model, the following hypothesis is also tested: growth of the number of small and medium enterprises depends on the indicators rank in Doing Business report, and the following results are obtained:

Table 3: Regression Statistics

Multiple R	0,814824				
Adjusted R	0,551919				
Standard Error	4032,715				
ANOVA	Df	SS	MS	F	Sig.
Regression	1	96388688	96388688	5,926948	0,092953
Residual	3	48788359	16262786		
Total	4	1,45E+08			

Risk dependence of the business environment from the rank of conditions for business conducting is expressed by coefficient for partial correlation , which in this case is 0,814824 and shows statistically correlative dependence

between business environment and the rank of indicators that determine conditions for business conducting. Furthermore, the empiric value F (5,926948) is less than the theoretical value F_0 (according to Snedecorov's schedule it is 10,13), and so the prior stated hypothesis is confirmed, i.e. the business environment depends on the above mentioned indicators.

As a consequence of unstable and risky environment, SMEs are faced with many problems during their working. Because of that, the following question from the questionnaire was asked in order to find out the key problems with which the SMEs are faced during their operating, that come both from outer and inner environment. The results from this question are summarized in the table 4.

Table 4: Key problems of SMEs

Problems	Percents
frequent changes in legislation	43,1
low and unstable consumption	33,7
high interest rates	33,2
lack of initial capital	31,7
strong competition from large enterprises	29,2
high taxes and government regulation	24,7
difficulties in obtaining permits and licenses	23,3
difficulties in providing professional staff	15,8
inadequate institutional support	15,8
difficulty in securing cooperation with local authorities	7,4
lack of inputs	5,9
outdated technology	5,9
not answered	3,5

From the a.m. results, it can be concluded that the biggest problem the SMEs are faced with are: frequent changes in legal regulative; high interest rates; non-sufficient and unstable consumption; capital shortage and strong competition from big business entities.

CONCLUSION

Based on the findings and performed researches, we can make general conclusion that the small and medium enterprises have big role in development of Republic of Macedonia. Creation of proper business environment is the basic precondition for their development, and with that their contribution in the country development is increased, as well. Unfortunately, in Republic of Macedonia, besides the series of conducted reforms, the environment is unstable and risky for running business and the small and medium enterprises during their operation are faced with a large number of problems coming both from outside and from inside.

We can highlight the following proposed measures and recommendations for improving business environment in Republic of Macedonia and revival of SME sector : development of macroeconomic and political stability; easier access to finances, which is the most important factor for SMEs survival and development; strategies harmonization, legal frame and institutional factors in SMEs development according to EU recommendations, i.e. realization of the principles of the Act for small businesses and the Strategy for clever, sustainable and inclusive economic growth – Europe 2020; reduction of „grey“ economy; promotion of entrepreneurial culture in Republic of Macedonia; support to new educational system development in which entrepreneurship will be key priority; stimulation of innovative and technological competitiveness of SMEs; identification of key projects to be taken over in future in direction of stimulating the entrepreneurship and SMEs development; higher internationalization of businesses; formation of clusters, networks and associations for collaboration.

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LEARNING BANK AS A NEW PARADIGM FOR QUALITY OF THE BANKING SERVICES²³

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Abstract

The information technology represents the base for modern functioning of an enterprise. In that sense informatic technology influence marketing sphere on three levels. First, is the level of marketing mix instruments. Second, the level and structure of marketing organization and, at last on the level of information marketing system. All described levels prove an important role wich information technology plays in creating total marketing environment.

Managers accept the confrontation of their workers as an old-fashioned cliché “people simply don’t accept changes”, so they give up everything in such situations. This is the easiest thing to do, but leads to no progress. It would be a good idea to look far ahead a little, particularly if small, continuous changes are in question.

Once the bank has decided on achieving high service quality, suitable training programmes should be introduced and all members of staff should get an opportunity to participate in these programmes.

Key words: IT, quality, knowledge, marketing, bank services

IMPACT OF INFORMATION TECHNOLOGY ON MARKETING AND REACTIONS TO CHANGES

CRM involves a more customized marketing process than traditional mass media can allow and this has been possible to the great strides technology has taken over the past few decades. But to deploy a successful CRM structure, a business needs to put some basic technology in place

²³ original scientific paper

including a detailed Customer Database, including customer basic information and purchase contact history and a highly developed horizontal integration across functional groups like technology, operations, front-end customer support. Once the bank has decided on achieving high service quality, suitable training programmes should be introduced and all members of staff should get an opportunity to participate in these programmes.

The result of such production of process, are the products which key element of the competition transforms into knowledge, sense which means product, that requires new market approaches, presentation and allocation of the product in the markets, that is to say, they create new attitude, wishes and customers' needs. So we can say that the informative technology becomes the bases of the functions in the modern production, organization, industry, economic. However the way of reacting of all factors and components of the whole society and components of the whole society and economic structure becomes quite different so that we can speak about a new phase of the whole development in the society and it is often defined as an "informative society". Among the changes which are caused by the informative technology in the domain of functioning and organization of the production an eminent place is taken by the changes of the informative technology in marketing sphere. Many authors consider that so fast technological changes in gathering and applying the information, leads towards the changes of the traditional marketing approaches which were present in the previous decades. Many discussions are connected to the acceptance of the informative technology with great number of information and data, making ideal bases for more completed, faster and adequate marketing management in the organization of production through improved more effective and wide usage of marketing expertise improving and making better marketing analyses based on the most actual data better contacts with the consumers through contemporary informative medium and systems, which leads to better planning of the products, which means immediate reaction upon all changes of market requirements and the potential consumers' needs etc.

Besides the fact that the influence of the informative technology upon the marketing sphere is multiple, we will pay attention to three levels of influence.

1. Visible effects – which way the informative technology changes the marketing scenario.
2. Non visible effects – how does the informative technology change marketing organization

3. Informative effects : as an extended volume of marketing information based on the informative technology , influences the initiative and the reestablishment of marketing informative system (MIS).

Information technology provide information, but quantity is emphasized, instead of quality. New structure for production is expected because and most of all, creating new model of companies, with an emphasize to services are expected together with the entrance of new technology. All in all new organization and new companies are expected.

Managers understand the confrontation of their employees and clerks as an old cliché “people simply don’t like changes” and they give up everything. That’s the easiest thing to do, but this leads to no progress. In this case it would be a good idea to look ahead and solve the confrontations, particularly if continuous changes are in question. Relatively slight moves are necessary to solve these slight confrontations-certain details in the method of work, change of routine in the administrative procedures, dislocation of machines or chairs, job tasks or introduction of job position terms. This always results with progress in productiveness and more satisfied employees.

In the case of big changes, confrontations are bigger, too. When talking about major (essential) changes, there are six ways of making a plan to defeat confrontation towards the changes in a company. For supervisors, as moderators, people change easily, if creativity, rewarding for a risk and success are stressed.

Participation is not and can’t be a mechanical reaction upon call or accepting orders such as “from now on you must participate”. It’s a feeling can be achieved only when people meet their needs. Therefore, it is to direct oneself to meeting the needs. This means a whole series of information, including:

- Employees to get familiarized with basic objectives of the company existence, activity of certain groups or accomplishment of tasks.

- One of the highlights should be improvement of working conditions as soon as possible. It can be supposed that advanced technology would provide jobs, which include less physical effort, less discomfort and etc.

- With the realization of the characteristics of jobs and qualifications with high degree of complexity, general interest in the work is supposed to rise.

- Complementary education will be necessary for each adaptation. Education should be stimulating and rewarding, which was not the case so far. This means rewarding, additional points for the worker, deduction of points for workers with no suitable qualification, other privileges during the additional education and etc.

From now on career progress will be in direct correlation with the former education of the worker.

- Workers will be rewarded in a stimulating way, based on the results achieved, their participation in ideas and creativity development. Material stimulus is not the single one, but it's top one on the scale of work motivation

- It's necessary to constantly underline every minor success, complimenting, rewarding. Reward is more effective than punishment and creates such a feeling of an ability to complete one's own skills in a person.

- Technical aspects of the changes are measurable modifications in carrying out the work. Social aspect creates a feeling (conception) in those people affected by the changes, meaning how these changes will modify their position and the interactions in the company.

QUALITY OF BANK SERVICES AND SATISFACTION OF CLIENTS

“Dimensions” of service quality are:

- tangibles : appearance of physical facilities, equipment, personnel, information leaflets;

- reliability : ability to perform the service accurately and dependably;

- responsiveness : willingness to help customers and provide a prompt service;

- assurance: competence (having the requisite skills and knowledge); courtesy; credibility (trustworthiness, believability, honesty of staff); security (freedom from danger, risk and doubt);

- empathy : access, approachability, ease of contact, communication with customers, understanding customers' needs.

Customer satisfaction – is the customer's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectation.

CS = Gap -between Service Expectation and the Actual Service Received (SERVQUAL MODEL)

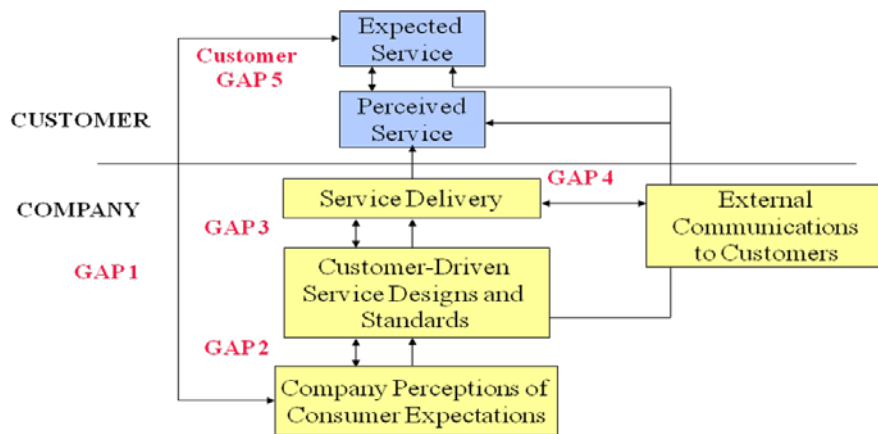


Figure 1. Gaps Model of Service Delivery

Banks must strive to assure quality, that is, be able to affirm with adequate certainty that their products and services will satisfy given requirements of quality.

Banks cannot be content with Quality Control. They must go beyond that and should strive to give Quality Assurance.

Measuring Quality in the Services Sector and in particular in the Banking sector, is more difficult than measuring the quality of manufactured goods. This is mainly due to the following:

- The Services Sector as a whole is very heterogeneous and what is very heterogeneous and what may hold true for one service may not hold true for another service sector.

- Services are intangible in nature and, unlike in the case of goods, there is no 'real' product that the customer takes home.

- There is no scope for inspection before the service delivered.

Unlike in the case of manufacturing companies where the goods are manufactured and then sold to customers, in the services sector, the customer is a part and parcel of the process that provides the service.

CRM is not just a technology, but rather a comprehensive approach to an organization's philosophy in dealing with its customers. This includes policies and processes, customer service, employee training, marketing, systems and information management. The objectives of a CRM strategy must consider a company's specific situation and its customers needs and expectations. The technology requirements of a CRM strategy can be complex and far reaching. As the company moves from "Basic" to "Partnership" we can say the company is moving from traditional marketing to CRM.

CONTINUAL EDUCATION OF EMPLOYEES – BASE FOR QUALITY IN THE BANK SERVICES

The top management of the bank is the custodian of the Quality Key. They have the responsibility to ensure that the key is properly used and is made to work for their bank.

This can only happen if top management believes in and is committed to developing a Quality Services Bank. Quality is a primary responsibility of top management and quality measures can only succeed with top management's commitment. Without commitment from top management, quality will remain a peripheral and possibly non-productive activity. Hence, it may be emphasized that, for any quality culture to exist and quality consciousness to develop, top management support and commitment are absolutely essential.

Once the top management is convinced that quality is essential for the success and continued growth of the organization, it can begin to help the bank develop suitable quality programmes.

Commitment must be backed by planned action, all employees must be trained to develop quality consciousness and the organization must continually strive to improve the quality of services provided.

Top management must explain and communicate to all levels of employees that quality is not a one-time job and is not about fixing problems, as, say, an irate bank customer who has been waiting to be attended to. The management must communicate that these problems arise because of the absence of quality consciousness and will continue to arise if quality is not ingrained as an accepted business norm.

Quality is, as the Quality gurus say, a journey. A journey that continues as the bank achieves higher and higher levels of success. Once top management can successfully communicate this to all employees and ensure their commitment, the bank can successfully implement and reap the benefits of achieving high service quality.

Once the bank has decided on achieving high service quality, suitable training programmes should be introduced and all members of staff should get an opportunity to participate in these programmes. Such programmes should preferably be tailor-made to suit the bank's needs and should be preferably administered by experts. The success of these programmes cannot be immediately gauged completely, but the progress on various quality parameters should be regularly monitored, perhaps by an internal coordinator.

To ensure that the needs of the customer are indeed what the bank perceives these needs as being the bank must continually seek and act upon feedback received from its customers.

Another factor that can contribute to a Bank's success is a flat organisational structure and its policy of encountering discussions and suggestions . People in the front line are most often aware of quality needs of customers and can offer valuable suggestions. Banks should actively encourage all level of staff to contribute actively towards building a learning bank.

A bank's employees are inherent part of the service provided by the bank. It is not enough that they be trained to proved quality service, that they know what to do and how to do it. It is also essential that they have the requisite authority to do what it takes to satisfy, customers, and a corresponding responsibility towards ensuring customer satisfaction.

Top management may be totally committed to providing total quality service, but ultimate it is the employees who will actually interact with customers and provide them with the various banking services on an on-going basis. It is therefore essential that the employees be committed to providing total quality service employees be suitable trained and motivated and employees be empowered to deliver quality service to customers.

Employee empowerment is a necessary but not a sufficient condition for providing quality banking services. A bank must, however , ensure that this does not hamper its employees from delivering quality service. Empowered employees will take pride in their work and will suggest solution to difficulties necessary for a bank to equal the performance standards set by the selected leader.

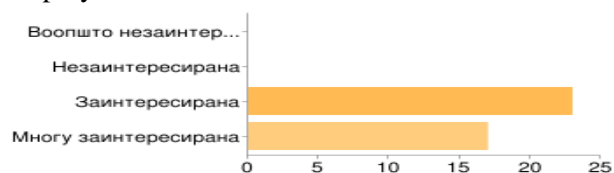
CASE STUDY RESEARCH ON THE INTEREST OF BANKS IN REPUBLIC OF MACEDONIA FOR PERMANENT EDUCATION OF EMLOYEES

The research is conducted in the representative sample (41 samples) of the managers and employees in: Commercial Bank, Economic Bank, Tobacco Bank, Uni Bank, Eurostandard Bank

Goal and hypotheses for research:

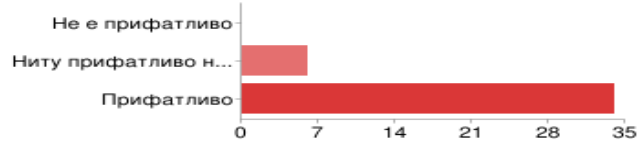
Goal – To identify and quantify the degree of interest and acceptability of services for permanent education of employees in banks

Factor: 1.How much is the bank interested for permanent education of employees?



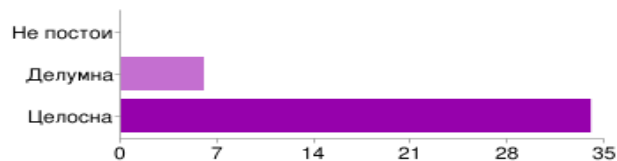
57% interested 43% very much interested

1.1 Is it acceptable for employs to continually improve the quality of the services in the bank? ;



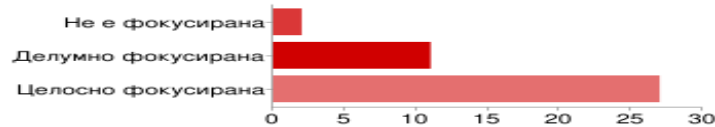
15% neither acceptable neither unacceptable 85% acceptable

1.2 Is the bank focused on the client needs?;



15% - partial 85% - full

1.3 Is the bank focused on the employees needs?;



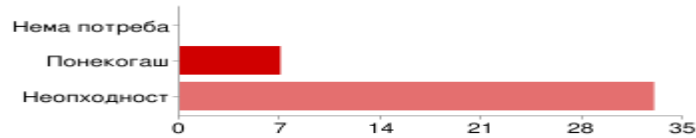
5% - not focused 28% -partial focused 68% - totally focused

1.4 Is the bank oriented on continually improving of the quality of services?;



100% -yes

1.5 Is the bank management oriented toward following the competition?



18% -sometimes 83% it is necessary

Ho: There is no dependence (impact) between influences of the factors on bank's interest for permanent education of employees

17.36 > 2.41 \longrightarrow Ho is rejected

Anova: Single Factor

SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Column 1	41	114	2,780488	0,32561
Column 2	41	114	2,780488	0,32561
Column 3	41	106	2,585366	0,49878
Column 4	41	78	1,902439	0,190244
Column 5	41	113	2,756098	0,339024

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	23,31707	4	5,829268	17,35657	3,07E-12	2,4168
Within Groups	67,17073	200	0,335854			
Total	90,4878	204				

Service quality and employer's education are holistic approaches, enabled by other factors e.g. technology with a broad focus, to start, maintain and optimize relationships to make internal and external customers more loyal.

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QUALITY MANAGEMENT - IMPERATIVE FOR COMPETITIVE ADVANTAGE²⁴

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ABSTRACT

In the conditions of strong competition, products that guarantee survival and competitiveness in the global market are real challenge for modern business entities. As a consequence, some initiatives for quality improvement have been taken over. Implementation of a quality system becomes a tool for realizing competitive advantage, which is a basic assumption for total quality management (TQM). TQM is the way of managing for the future, and is far wider in its application than just assuring product or service quality – it is a way of managing people and business processes to ensure complete customer satisfaction at every stage, internally and externally.

TQM has also become a challenge for implementation with Macedonian business entities. This paper studies the current awareness of TQM in Macedonian business entities, the implementation level and the benefits as a result of the adoption of TQM. For this purpose we have been applied a research on a representative sample on Macedonian business entities of Pelagonia region with a detailed questionnaire. The results confirm that exist positive relationship between the awareness level of the financial managers and the level of TQM adoption.

Key words: Total Quality Management, quality, costumers

²⁴ original scientific paper

INTRODUCTION

Contemporary working conditions bring challenges, i.e. necessities for the business entities of dramatic improvements in direction of better positioning in the world market. Namely, each company, in order to be successful with these challenges, has to change continuously, to be restructured, redesigned and reorganized. Therefore, today the organizations more often starts applying modern production methodologies and philosophies, in order to realize desired market growth and to increase their profit.

Total quality management (TQM) presents one of the instruments that can help the business entity to be successfully faced with the challenges of the modern world. TQM is a process of integration of all processes, activities and functions within an organization, in order to decrease the expenses, to improve quality and delivery of products and services and to meet consumers' demands.

LITERATURE REVIEW

The business entities, by accepting total quality management, decrease defects rate and stocks, i.e. increase quality and decrease the costs at the same time, and increase the company profitability in a long-term.

According to the Malaysian Administrative Modernization and Management Planning Unit (MAMPU), TQM is "a continuous process that involves the whole organization and customer driven". This process is aimed at creating a culture of excellence in any organization. According to DELIVERI Project1, TQM is "a client-oriented approach that introduces systematic management changes and continuous improvements to an organization's processes, products, and services". [1]

This new managerial philosophy, called the second industrial revolution by Kanji [2], has become a key for survival in the global market [3]. Large number of researches have confirmed positive effects of TQM implementation. Hendricks and Singhal stress that TQM implementation is resulted in improved performances, i.e. profit, that is confirmed by the correlation between ROA (Return of Assets) and TQM implementation.[4]

The relationship between financial performances and employees' involvement and TQM through (cross-sectional) regressive analysis, is confirmed by the results obtained from the questionnaire sent to the general managers of the companies of Fortune 1000 firms (987 in 1990 and 985 in 1993). For that, they applied seven variables, such as productivity, sale per worker, sale return, investments return, resources return, capital return and

total investors' return. Financial effects of employees' involvement and TQM were separately examined for each of the seven variables and the results confirmed positive influence on all seven variables. [5].

The results of Kaynak's analysis are also in this direction [6], who has found out that financial and market performances are improved for the firms implementing TQM and JIT supplying systems.

QUALITY MANAGEMENT – CHALLENGE FOR COMPETITIVE MANAGEMENT

In conditions of globalization and permanent changes in internal and external environment, quality is a key factor for success and competitiveness of businesses. In order to be able to respond to increasingly more sophisticated consumers' requests, the business entities have to care about products and services quality, and for quality expenses. Quality improvement is enabled by the quality management system. Quality Management System is very complexity process and this system comprises six phases, such as: [7]

- understanding customers' needs;
- establishing quality objectives;
- establishing business processes to achieve the objectives;
- accomplishing the activities and remuneration by effects;
- delivering the product to the customers and controlling the customers' experience and
- analyzing the sources.

Quality management first step usually considers the customers' requirements related to the quality. At this point the management evaluates the customers' necessities with respect to the performances of products and services.

The next phase in quality management system is transformation of customers' needs in adequate quality objective. Nowadays, many enterprises consider the percent of undetected products as the ultimate quality objective.

More complexity products convey increased opportunity for products' defects.

The third phase in quality management system comprises business processes that ensure producing products with required level of quality. This, imply permanently machine maintenance, creating control systems, controlling quality of raw materials, etc. All this activities are undertaking to avoid eventually defects, and essentially they are preventive costs.

The objective of this phase is to attempt activities to find out the defects or mistakes. Namely, it's verifying the quality of products whether they satisfy the customers' needs. These costs are assessment costs. If defected products are noticed, it should be re-processed, and the costs created for accreting the defected products are internal failure costs.

When the product is completed, it is delivered to the customers and waiting their reaction. If the product doesn't live up their expectations, the customer might complain or return the product, or claim its' price correction. All costs tied with the defects correction, explored by the customer are external failure costs.

If there isn't complaint of the product and the product live up customers' expectations, than management quality isn't completed.

The experience of many enterprises confirmed that customers eternally expect something new and more quality then previous. That's why, enterprises continue their researches to make perfect products' and services' performance.

The last phase of quality management is analyzing the major reasons of products' defects. Analysis should find out the reasons for the defects and give directions to satisfy customers' needs. The results of analysis might be used to redesign the business activities and to avoid the same or appropriate problems.

Large number of researches on this issue show that manufacturing entities that implement the quality management system , have expenses for quality comprising only 5% of total income, while for those that have not implemented such system, these expenses move up to 15-20% of the total income.

RESEARCH METHODOLOGY

Motivated by the potential benefits of the successful implementation of these systems and lack of researches of this kind in R. Macedonia, Macedonian companies from Pelagonia region have been taken as a target group for this study.

The research was conducted by a questionnaire sent to the selected companies. Of totally 126 sent questionnaires, only 58 were returned, i.e. the respondent rate was 46%.

Necessity for this kind of research is a consequence of the lack of information for implementing the Total Quality Management in Republic of Macedonia, i.e. for the implementation level of the TQM in Macedonian companies.

The main objective of this research is finding out how many Macedonian business entities are acknowledged with this concept, if they are aware for the importance of its applicability, and how much they implement them.

For realizing this research, a large number of methods for providing necessary data were used:

- Investigation with structural questionnaire,
- Interviews with financial managers,
- Internet research,
- Other methods.

For data analysing, the current investigation uses descriptive statistical analysis such as the standard deviation, and regressive analysis for testing the link of the level of awareness for the importance of the strategic initiatives application and the level of application of those initiatives.

DATA ANALYSING

The first question of the questionnaire referred to the degree of knowledge of financial managers from the examined companies about the benefits from TQM implementation. Namely, it is generally accepted that practicing new strategy in an appropriate manner requires from those who implement it to be sufficiently aware of benefits that will follow as a result from its implementation, as otherwise the importance of the new strategy use will not be long-lasting. The answers to this question can be seen in the following chart:

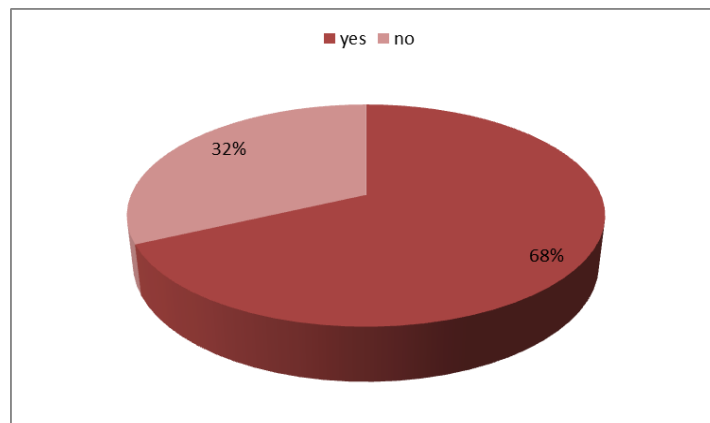


Figure 1 Familiarity with the benefits of TQM implementation

Namely, 68% of the respondents have said that they know the benefits of TQM implementation. This is quite logical if you have in mind the fact that today quality is a password for success of each business entity.

The next question refers to awareness level for TQM implementation . The top management’s awareness and responsibility is indispensable for implementation and continued quality program, and at the same time represents essential element for enabling successful implementation of any strategic concept.

The obtained results from the analysis of the answers to the above question, have been used for measuring the financial management’s awareness of the TQM implementation importance and they are shown in figure 2:

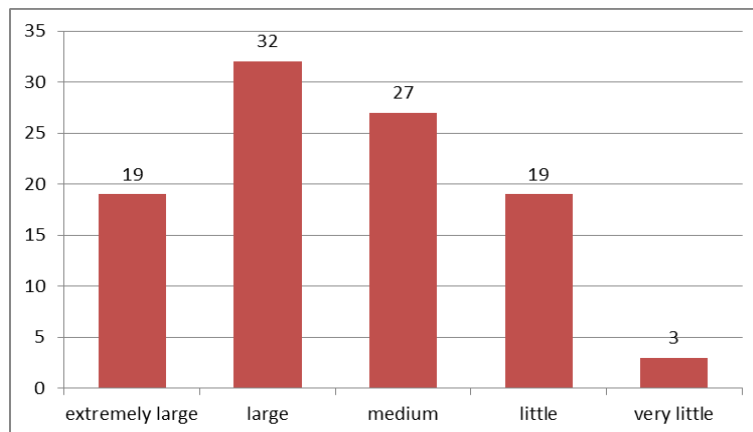


Figure 2 The awareness level of the importance of using TQM

As a result of the performed analysis, it can be concluded that our financial managers have high level of awareness for the importance of implementing this system. So, 32% of the respondents have answered that they have a high level of awareness, with 19% there is extremely high level of awareness, middle level of awareness is present with 27% of the respondents, and 19% have low level of awareness and 3% of the respondents have very low level of awareness.

TQM	
Mean	2,73
Std.	0,38

Table 1 Level of awareness for the importance of TQM application

According to the processed answers to the question about management's awareness for the importance of TQM implementation, that are shown in table 1, it can be concluded that the awareness of the financial managers in the companies for the benefits they can get by applying this strategic concept has reached some level, that is in fact one of the basic preconditions for its higher implementation.

Furthermore, the research subject is testing of the correlation between the level of awareness for the importance of TQM implementation and the level of its implementation. Namely, it can be said that if the financial managers are sufficiently aware of the importance of applying new strategic concept, then the level of its implementation will be higher compared to the lower awareness level. In order to examine if the awareness level of the financial managers for the importance of TQM implementation, is connected to the level of its implementation, the following question from the questionnaire was asked:

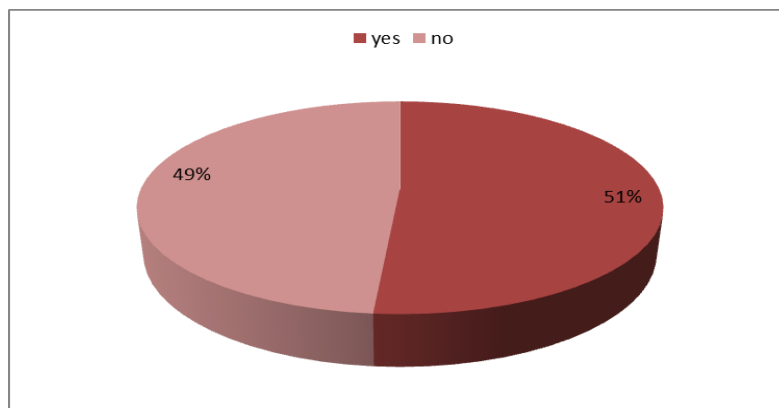


Figure 3 The Implementation Level of TQM

51% of the respondents apply TQM. In close connection with the question for TQM implementation, is the question for benefits of implementing this concept. Only those respondents, who had positive answer to the previous question, answered this question:

1.Better financial performances	31.58%
2.High quality	73.68%
3.Reduced costs	68.42%
4.Team work and improved employee moral	52.63%

Table 2 Benefits of TQM implementation

The answers to this question indicate that from the respondents who have confirmed that they implement TQM, 74% confirm that they have increased quality of their products, 68% have decreased their expenses, 53% have increased the employees' moral and encouraged team working and 32% have improved their financial performances.

Based on the obtained information on the level of TQM implementation and the level of awareness of the financial managers for the importance of its implementation, we can test the correlation between these two variables by using the following regression model:

$$TQM_{it} = a + \lambda ATQM_{it} + e_{it}$$

where

TQM_{it} represents the level of adopting the TQM

$ATQM_{it}$ represents the awareness level of financial managers of the importance of using the TQM

e_{it} represents the unexplained error of the regression model utilized

The results obtained from the applied regressive analysis are following:

$$TQM_{it} = 0,71 + 0,31x + 0,3$$

Regression model	Adjusted R ²	F	Sig.
Regression model 1 (TQM)	0,6642	27,6256	7,39E-06

Table 3 Implementation of TQM and the level of awareness for the importance of TQM implementation.

As it can be seen from the above table, the results obtained from the applied regressive analysis confirm that there is a positive correlation between the awareness level of the financial managers from AA companies in Republic of Macedonia for the importance of TQM application, from the one hand, and the level of its implementation on the other hand.

In this way, the research conducted in the case of Macedonian companies, has confirmed the results from the previous studies that found out significant

positive relationship between the awareness level and the level of implementing the Total Quality Management.

CONCLUSION

This paper investigates whether the financial managers of the Macedonian companies are familiar with Total Quality Management, whether they are aware of the importance of using the TQM and the level of implementation of TQM in the selected business entities. Based on the empirical results, it is found that awareness level of the importance of using the TQM is high, but such a high level is not associated with the level of adopting TQM. Namely, the results show that there is a low implementation of this strategic concept. In that context, organizing of seminars where the benefits of applying TQM will be explained to the top management is recommended. Appropriate information and education for benefits, effectiveness and importance of TQM practicing, is expected to increase the awareness of the top management in Macedonian companies for the necessity of its practicing, because it enables better financial performances.

In future, much can be studied in this particular field. Further research may be conducted regarding the implementation of TQM among those firms that adopted it. A study may also be conducted on the difficulties of adoption of TQM. There are still a lot of things that can be researched on regarding the implementation and effectiveness of TQM. This is just beginning in Republic of Macedonia.

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THE POSSIBILITIES FOR IMPLEMENTATION OF THE NEW BASEL III AGREEMENT ON CAPITAL- IN THE REPUBLIC OF MACEDONIA²⁵

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Abstract

The Basel III Capital Agreement, developed by the Basel Committee on Banking Supervision deals with the full range of regulatory and supervisory issues, including standards for liquidity, credit risk, market risk and operational risk management issues, as well as accounting standards in the sphere of banking. The main goal of the banking regulation aims at defining a framework that will strengthen the permanence and stability of the international banking system, will increase its resistance and maintain some consistency in terms of the procedure for defining and regulating capital adequacy so as it would not constitute a significant source of competitive advantage among internationally active banks. The international regulations issued by the Basel Committee have contributed to the promotion of precise definition of banking risks, development of appropriate methodology for their measurement and introducing the concept of "venture capital".

The new Basel Agreement represents a significant challenge for the banking supervision in the Republic of Macedonia as well. As a result, the National Bank of Macedonia prescribed methodology shows greater caution with regard to the structure of the capital, in which the main element are common equity positions.

Keywords: capital adequacy, risk-weighted assets, definition, management and prevention of banking risks.

²⁵ professional paper

Introduction

The devastating effect of the last global financial crisis, followed by a general global recession has significantly affected the banks, and thus the entire economy. This crisis has encouraged regulators and the Basel Committee on Banking Supervision to review the international framework governing the banking sector, known as Basel II, and as a logical consequence followed the emergence of the idea of stricter regulatory requirements that are supposed to stabilize the entire system.

As a result, in July 2010 the Banking Committee on Banking Supervision issued a series of consultation documents which represent changes and amendments of the existing regulatory framework.

Basel III represents a fundamental strengthening, and in some cases radical reconstruction of the global capital standards. The main goal of this reform package called Basel III is the strengthening of the rules concerning the management of capital and liquidity and providing the banking sector with greater resilience to unpredictable events. The introduction of the new rules will provide a safety net that protects banks from economic crises and shocks. These stricter quantitative and qualitative criteria for regulatory capital and global liquidity standards are introduced in order to prevent the spread of shocks to other parts of the economy.

Review of Literature

Basel Agreement is to strengthen financial regulation introducing higher global minimum capital standards for commercial banks thus introducing Basel III as the extension of Basel II. (Caruana, J, Madrid 2010)

Basel III is new challenges for supervisors, risk managers and auditors.

This theme cuts to the very core of the lessons learned from financial crisis and how we respond to them – through the effective implementation of Basel III and regulatory reform (Carlos de Silva).

The new standards are tough and they were meant to be – but the long phase – in will help (Caruana, Basel III: New strains and old debates, general manager of BIS at Bank of Portugal, October, 2011)

The Basel III response to the crisis is substantially complete. A few policy – related areas, such as the liquidity standards, are under review by the Basel Committee. This should not be surprising since – in contrast to capital regulations – there are relatively little experience and data when it comes to

global liquidity standards. The aim to ensure that the rules work as intended and that any unintended consequences will be addressed.

With the introduction of complex quantitative and qualitative criteria for minimum capital, and the introduction of standards for liquidity, are intended to prevent the spread of economic shocks on other parts of the economy (Balen, V, Deloitte).

DISADVANTAGES OF BASEL II

The recent crisis has shown the following shortcomings of Basel II²⁶:

- ✓ inadequacy of the minimum rate of basic capital adequacy level of 4 % (i.e. with additional capital level of 8 % relative to risk-weighted assets) to withstand the enormous losses that were incurred during the crisis;
- ✓ The responsibility for risk assessment, which is essential for evaluating the riskiness for the capital was entrusted with the rating agencies, which have proven to be vulnerable and unreliable in case of a potential conflict of interest;
- ✓ the capital requirements of Basel II have procyclic character and highlight the characteristics of a particular economic cycle, which has an especially negative effect during times of recession when credit risk is growing , which results in banks reducing lending and offering stricter lending conditions amid declining economic cycle , by which banks contribute to the decline of the economy instead of mitigating the crisis and encouraging development ;
- ✓ Basel II encourages banks and other financial institutions to resort to much bigger securitization of its loan portfolio leading to increasing off-balance sheet assets and thus reduce risk-weighted assets in respect of calculating the minimum amount of capital adequate protection against risks . This in turn allows the banks to increase their risk without having to raise the level of capital , which represents one of the main reasons for the escalation of the financial crisis followed by a devastating global consequences.

CAPITAL AND LIQUIDITY IN THE FOCUS OF BASEL III

Key features of the new capital standards in accordance with Basel III are²⁷:

²⁶ Caruane, J, "Basel III and the new challenges for supervisors, risk managers and auditors", Lisbon, 2011

- ✓ considerably increase the quality of the banks' capital;
- ✓ significantly increase the required level of their capital;
- ✓ reduction of systemic risk and
- ✓ allow sufficient time for a smooth transition to the new regime

1 The imperative of the new capital standards transformed into Basel III was adequately defining the capital before setting the levels of required capital. Higher capital quality means more loss-absorbing capacity, which in turn means that banks will be stronger, allowing them to better withstand periods of stress. In this context a key element is the greater focus on what is called common equity ie the highest quality component of a bank's capital. According to the existing standards banks have to hold at least half of their regulatory capital as core capital (Tier 1). The new agreement introduces a more concise definition of the core capital (Tier 1), which is reduced to the amount of common shares and retained earnings.

The capital of Tier 2 (Tier 2) will no longer be divided into two levels: the lower level 2 (Lower Tier 2) and higher level (upper Tier 2) but will introduce a unique set of criteria for inclusion in the capital level. According to this all the instruments in the second structural level of capital - preference shares and subordinated debt securities will have to be either converted into ordinary shares or to be enrolled as such, in the event of a state of insolvency of the bank.

The capital of level 3 (Tier 3) will be abolished since it has been debated for a long time whether the uncollateralized subordinated debt should be included in the structure of capital.

2 The last financial crisis has shown that better quality capital will not be sufficient for protection against risks, but it is necessary to increase the quantity of capital. The essential element of the Basel III is increasing the minimum rate of equity capital relative to risk -weighted assets which increases from 4% to 6%, of which 4.5% have to be ordinary shares.

Another novelty is that banks will be required to hold a capital conservation buffer for compensating risks and it should be over 2.5% of common equity with the sole purpose to withstand future periods of stress (when the capital adequacy will fall below 7%). The consequences of not meeting this requirement are direct: the closer a bank's capital level gets towards the minimum requirement, the more constrained its earnings distribution (payment of dividends, share buybacks and bonuses for bank managers for successful work) will be until capital is replenished.

²⁷ BIS, Basel III: stronger banks and a more resilient financial system, BSBS, 2011

3 The new capital standards envisage the introduction of a countercyclical capital buffer, with a tendency for it to be 2.5%. This capital should be used during the period of expansion in credit growth, which immediately needs to be compensated with additional capital. The purpose of the introduction of this protection is to improve the procyclic character of the Basel II standards.

4 These capital standards are supplemented by a non-risk-based leverage ratio which will help contain the build-up of excessive leverage in the system, and will serve as a backstop to the risk-based requirements and address model risk. Initially it has been predicted to test a rate of 3% calculated on the ratio of Tier 1 capital (calculated according to the new more stronger definitions according to Basel III) to the bank's total non-weighted assets plus off-balance sheet exposures.

The new regulation introduces global standards for managing liquidity which implies calculating and maintaining the indicators covering the liquidity that will guarantee that the bank will maintain an adequate level of liquid assets that can simply and quickly be turned into money in crisis situations

Basel III also introduces two types of liquidity as follows²⁸:

- **Short-term liquidity** - (Liquidity coverage ratio - LCR) and
- **Long term liquidity** - the net stable funding ratio (Net Stable Funding Ratio - NSFR) requires banks to have established a stable system of financing to meet the needs of the funding for the analyzed period of 1 year.

The introduction of the request for maintaining Long-term liquidity is to encourage banks to use stable sources of funding for their activities, and hence to obtain quality management of their middle-term and long-term funding. This requirement will be introduced as a minimum standard by 1 January 2018²⁹.

DYNAMICS OF THE BASEL III

What is very important when enforcing the new regulatory changes is the pace of enforcement that is characterized by gradual introduction of new measures which will allow to obtain a realistic depiction of the impact of the new regulatory requirements on the banks and the market, and thus

²⁸ D&B Special Report – The Business Impact of “Basel III”, October 2011

²⁹ Expected timeline of Basel III implementation, Deloitte, Basel III, maj, 2013

there will be little room for their eventual revision before their final application. Also, long-term and gradual introduction of the new criteria should reduce and distribute the cost of their introduction. The plan is the entire reform package to be implemented before 2019. Notably, the new definition of capital will be introduced in the course of five years, starting from 2013. Capital instruments that do not qualify as non-common Tier 1 capital or Tier 2 capital will be phased out over a ten year period, from 01 January 2013. Demands for minimum capital requirements and Tier 1 capital were already introduced from the beginning of 2013 and will enter into force at the beginning of 2015. The dynamics is as follows:

- ✓ The minimum common equity and Tier 1 requirements will increase from the current 2% and 4% levels to 3.5% and 4.5% respectively at the beginning of 2013;

- ✓ The minimum common equity and Tier 1 requirements will be 4% and 5.5% starting in 2014;

- ✓ The final requirements for common equity and Tier 1 capitals will be 4.5% and 6% respectively at the beginning of 2015;

- ✓ The 2.5% capital conservation buffer that is comprised of common equity and is in addition to the minimum of 4.5 % requirement will be introduced progressively starting from January 1, 2016 and will gradually come into force until 01 January 2019.

For the leverage ratio there will be a test so called parallel run period which will start from 2013 and will last until 2017 and will be obligatory from 1 January 2018.

The new way to define the capital, setting the weights for more risks, an increase in the minimum requirements which will significantly increase the additional capital and the long transitional period will allow the banks to fulfill the higher capital standards through reasonable retention of revenue and mobilization of capital, followed by continuous lending and support of the overall economic sector.

CHALLENGES FOR THE IMPLEMENTATION OF THE NEW REGULATORY REQUIREMENTS FOR THE REPUBLIC OF MACEDONIA

Following the adoption of the Final document at the Basel Capital Agreement, the National Bank of the Republic of Macedonia, has performed analysis and prepared a report in which there is a description of the proposals of the Basel Committee on Banking Supervision for strengthening the capital

framework (increasing the required level of capital) and introduction of the international standard for liquidity . This information contains an assessment of the compliance of the existing methodology used for determining the capital adequacy prescribed by the National Bank , with the demands of Basel III.³⁰

The methodology of the National Bank is characterized by greater caution with regard to the structure of the core capital, in which the main element is the position of the shareholders' equity. As, in this direction are the modifications of the Basel capital framework (strengthening the quality of the capital through an increase in the level and participation in the share capital) the existing methodology of the Central Bank substantially complies with the demands of Basel III and it is not expected that the banks in the Republic of Macedonia will have hardship in the fulfillment of the new rates on required capital , contained in the proposed reforms . In the Republic of Macedonia the new regulations and modifications according to new Basel III will be implemented gradually and it is expected to be completed by the beginning of 2019.

Degree of fulfillment of the capital requirements of Basel III in the Republic of Macedonia

	Minimum	Minimum plus an additional amount for preserving the capital	Banking sector of the Republic of Macedonia for lowest and highest rate
Rate on equity capital and risk weighted assets	4.5%	7%	8.4% - 83.7%
Rate of core capital and risk weighted assets	6%	8.5%	8.4% - 83.7%
Capital adequacy	8%	10.5%	11.1% 83.7%
Rate of debts	3%	4.5%	6.1% - 43.6%

The rate debt is calculated as the ratio between core capital and total balance sheet assets of the bank. Analyzed by banks, the rate of core capital and risk

³⁰ NBRM, Report on Banking System and Banking Supervision of the Republic of Macedonia in 2010, april 2011

-weighted assets is above the minimum rates of equity (4.5%, 6%, 7% and 8.5%). With only one bank, this indicator is slightly less than the total minimum of 8.5% and amounts to 8.39%, and only one bank's current ratio of core capital and risk - weighted assets is lower than 10%. Among other banks the rate of core capital and risk - weighted assets is higher than 10%, which is a proper basis for achieving the overall rate adequacy ratio (8% and 10.5%).

The rate of debt of banks in the Republic of Macedonia on 31.12.2012 is well above the minimum rate of 3%. The rate of borrowing by banks ranges from 6.1% to 43.6%, while the weighted average rate of indebtedness of the banking system amounted to 10.3%. These results represent a satisfactory indicator of the amount of the additional costs that will need to make Macedonian banks to reach the new capital requirements.

CONCLUSION

Basel III as impressive response to the crisis represents a challenge considering the global framework of its consistent rules. This new Capital Agreement represents a fundamental strengthening of capital standards complemented by the introduction of innovative liquidity standards which are aimed at the heart of global financial reform. The expectations from the Introduction of Basel III are: a significant increase in the quality of bank capital, increasing the minimum levels of capital, reduction of systemic risk and providing sufficient time for the proper application of the rules.

The complex requirements of Basel III will have real effects on the banking system, and will cause some implications. The more stringent requirement of Basel III may represent a cause for smaller banks to lend by tighter credit conditions, which would have a particularly negative impact on small and medium-sized firms.

Because of the provisions which prescribe all off-balance sheet items to obtain adequate risk factor which from the current 20% will change to 100%, the banks will have to increase their capital bookings from securitized off-balance sheet loans to 5 times. In such circumstances, banks will have two options: either to transfer the increased costs to their customers, or will have to focus on other more profitable activities while reducing their credit exposure.

The terms and larger capital requirements of Basel III do not apply to non-banking financial institutions, because they are beyond the scope of the new regulations. The so-called

"shadow banking" - Insurance Companies, pension funds and investment banks have played a central role in the latest financial crisis and have become a major supplier of credit. Because of this, it is considered that Basel III provides a competitive advantage to non-banking financial sector which can encourage this sector to take a higher risk, especially in case of insolvency of the nonbank financial sector, and because of this the crisis can be easily transferred to the banking sector with all the negative consequences.

The next research that would be useful concerning this issue is a comparative analysis of the implementation of the new agreement on Basel III Agreement on capital in banking institutions in the region.

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THE ROLE OF THE INSURANCE FUNDS IN THE ECONOMY WITH SPECIAL REFERENCE TO THE REPUBLIC OF MACEDONIA³¹

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Abstract

The insurance sector occupies a significant place in the global financial system because these companies emerge as managers of pension funds, investment funds, holders of the insurance sector, etc. Comparative analyses of the insurance sector worldwide show that the insurance companies are a relatively small sectors with a high share of foreign capital. From the statistic data it is evident that the insurance market, despite the negative effects of the global economic crisis, has a trend of increasing insurance premiums for about 10.6%. Unlike developed countries, in transition economies the rate of penetration is 17.6%, which is expressed as a share of the value of insurance premiums in the GDP, shows the importance of the insurance sector in terms of total economic activity in a certain country. In this paper we will discuss the limiting factors for development of financial markets and institutions such as: the transition process, the painful and long inside privatization, the non-integrity of the Macedonian financial market with the international market and others. Further on, we will give the pathways for development of domestic financial markets and consequently, of the insurance sector.

Keywords: financial markets, financial institutions, insurance companies, premium

³¹ professional paper

INTRODUCTION

Insurance is a legal relation established in a contract in which the insurance company is committed to compensate for damage over an insured object to the policy holder or a third party, accordingly to the punctual payment of the premiums on behalf of the policy holder. Beside its preventive aspect in protection from damage, the insurance is the best mode of sharing of part of the risk of undesired events or circumstances with a specialized company which would overtake entire or partial compensation for the damage in financial terms or by physical reparation of the insured object.

MODE OF FUNCTIONING OF THE INSURANCE COMPANIES

The insurance companies invest the accumulated finances from the premiums as well as their own capital on the capital market, on the capital market and other financial institutions and thus they produce effective capital and its distribution in the economy. Further on, they contribute for its adequate allocation and utilization. The types of insurance and the choice of the strategy of investment of the means can be different. The long-term character of the means gathered from the premiums of life insurance gives the insurance company a possibility for long-term investments.

The insurance market size is expressed using several indicators including³²:

- number of contracts concluded in a particular branch or sub-branch of insurance;
- volume of collected insurance premiums;
- amount of undertaken insurance obligations;
- amount of paid indemnities etc.

In the framework of the analysis of the incomes and outcomes of the means (as well as the character of the premiums, the dynamics and the proportion of their payment), the insurance company decides on the mode of investing and the size of the invested means. Within the limiting factors in the choice of investments, the inflation (on which the value of the means depends) and the tax regulations - have to be taken into consideration. In the market constellation of terms and competition among the financial institutions, the insurance companies expand their activity through

³² Bistriceanu Gheorghe D. - *Asigurări și reasigurări în România*, Editura Universitara, București, 2006, p.478-480, și Negru Titel – *Asigurări*, Editura Fundației România de Măine, București, 2007, p.106, Negru Titel – *Asigurările și reasigurările în economie*, Editura C.H. Beck, București, 2008, p. 94

introduction of new services and instruments, and thus they become financial conglomerates with various investing alternatives.

However over the last two years we have witnessed a financial and economic crisis that is unparalleled since the Great Depression. The present crisis resulted from the complex interaction of market failures, global financial and monetary imbalances, inappropriate regulation, weak supervision and poor macro-prudential oversight³³. The insurance market, beside the negative effects in terms of global economic crisis, has a tendency of increase of the insurance premiums and this growth is by 10,6%.

COMPARATIVE ANALYSES OF THE INSURANCE SECTOR IN TRANSITIONAL ECONOMIES

The development of the financial sector in transitional economies is particularly important, above all because of its influence on the rapid and successful implementation of the transitional process. In circumstances of non-market economy, the banking sector (even though dominant) was in a state of ruins. There was: the domination of the state property; the high percentage of delinquent credits in relation to the total bank assets; the high concentration of banks and concentration through separate sectors and branches; states in which the loan seekers are in the same time members of the supervisory or managerial boards of the banking institutions, etc. The mass privatization is different in all transitional countries and is divided according to three models:

- Free market model;
- Restricted Market Model;
- Regulated Market model;

The main distinctions among these models are: The free market model is distinguished according to the process in which the funds are established. In the restricted market model, the rules of acquiring of the voucher capital on the part of IPF are characteristic. The regulated market model is specific by the procedures covering the segment of acquiring and composing of the portfolio of the fund.³⁴ Levin believes that there is

³³ Larosiere, de J., et al. (2009). Report of The High-Level Group on Financial Supervision in the EU, Brussels., p. 14

³⁴ Mojsoska Snezana (2011) - Investment Funds, PhD Thesis, Faculty of Economy, UKLO, 2011

interdependence between the legal institutions and the efficacy of the market of stocks.³⁵

The analysis of the insurance companies in the transitional process shows a strong domination of the state according to the types of insurance or the geographic area. In the Czech Republic there was only one insurance company, whereas in Bulgaria, Hungary and Poland there were two types of insurance institutions, e.g. for domestic insurance and insurance and reinsurance of export transactions. This imposed the necessity of demonopolization of the insurance sector and launching new, private insurance companies. At the beginning of the 90s this evoked increase of the number of insurance companies in the transitional countries (a part of which were with low capital as well as inactive). In contrast to the developed countries, within the transitional economies the relation of the premiums of non-life to the life insurance for the period from 1989 to 1998 was 82,4% : 17,6% and the rate of penetration, defined in the part by which the insurance companies participate into the GDP shows the meaning of the insurance sector for the total economic activity of a country. For example, the rate of penetration of the life insurance in Slovakia was 0,9%, in the Czech Republic 0,85%, Slovenia 0,81%. Within the countries of EU, these rates are different and in Greece they are 0,93%, in Portugal 3,05%, in Spain 2,51%, in Austria 2,15%, in Ireland 5,61%, etc. The foreign capital noticed a rapid growth in the insurance sector in Hungary, Estonia and Poland in contrast to its low presence in Slovenia, Russia and Croatia. The slow process of reforming of the financial system in the transitional economies is illustrated by the low rate of total means of the institutional investors in the GDP of a country, in a transitional period of ten years.³⁶

³⁵ Levine Rous (1997) - "Finance and Growth: Views and Agenda." *Journal of Economic Literature*, 35 (2): 1997

³⁶ Risteski Vasko (2003) - Non-banking Financial Institutions, Master thesis, Faculty of Economy, UKIM, 2003

Table 2: The property of the institutional investors (after ten years of transitional period) in transitional economies and in comparative economies

COUNTRY	INVESTMENT FUNDS (% OF GDP)	PENSION FUNDS (% OF BDP)	INSURANCE COMPANIES (% OF BDP)	TOTAL (% OF BDP)
CZECH REPUBLIC	8	2	9	19
POLAND	8	2	5	15
HUNGARY	12	4	3	19
BULGARIA	5	0	1	6
CROATIA	2	0	2	4
PORTUGAL	21	11	10	42
GERMANY	28	13	32	73
GREAT BRITAIN	60	101	89	250
USA	129	90	43	262

Source: Risteski Vasko (2003) - Non-banking Financial Institutions, MASTER THESIS, Faculty of Economy, UKIM, 2003

This image together with the other factors of insufficient development of the capital market evoke a lower level of international integration, a lower scope of investments, a lower utilization of the capacities and a lower rate of growth in the transitional economies. When we take into consideration the influence of the well-functioning financial system on the total macroeconomic and financial stability, we can conclude that transitional economies are still to work on achieving the needed level of financial development and financial integrity, which is an imperative in the strong wave of globalization.

INSURANCE SECTOR IN THE REPUBLIC OF MACEDONIA

According The Macedonian Law on insurance supervision. (2002) the minimum possessed capital for establishing of a broker insurance company is 50 000 euro, and for an insurance company - 3 000 000 euro. The insuring policies in the life insurance participate only by 5,5% of the total policies, while the rest is on vehicle insurance or similar. This demonstrates that the structure of the premiums is unfavourable from the aspect of development of the capital market, because life insurance mobilizes long-term finances favorable for investment in securities. This

segment has the greatest potential for future development especially in the new perspectives of relating the life insurance to the credit products of the banks. Lacking other options, the insurance companies are limited to the banking deposits as the almost only mode of distribution and overturn of their own finances. The participation of the insurance sector in the total financial structure is 3,7% in 2010. In 2009, 13 insurance companies existed in Macedonia, 12 broker insurance companies and 5 companies for representation in the insurance process, while in 2010 the number of these institutions increased to 14 (3 for life and 11 for non-life insurance), 14 and 6 respectively. The growing tendency of the insurance sector is evident in its increased participation of 1,8% in GDP in 2008 to 2,9% in GDP in 2010. The degree of penetration in the Republic of Macedonia was 1,5%, as well as in Romania 1,5%, in Turkey 1,3%, in Greece 2,1%, in Bulgaria 2,5%, in Croatia 2,8%, etc. The degree of density at the end of 2010 was 3 149 MKD (51 euro) gross of the premium by policy per capita, which demonstrates the low level of insurance culture in the Republic of Macedonia. Compared to the countries in the region, the degree of density of the insurance sector in the Republic of Macedonia is at the lowest level. All this indicates to a great potential for growth and development of the financial system.³⁷

The insufficient interaction between the banks and the insurance companies as two main segments of the financial system (according to the amount of the assets), ensures limited transfer of the potential risks from one segment into the other, and at the same time presenting inspiring factor for strengthening of the type of services offered by the financial system. For illustration, only 0,1% from the gross premiums from policy of the insurance sector were gathered through three banks - entirely in the part of non-life insurance - and in 2010 the banks did not pose insurance on the approved loans in the insurance companies (in 2009 only two banks posed insurance on loans). The invested deposits in the banks were 11,1% from the total assets of the insurance companies. On the other side, they participated only by 0,6% (0,7% in 2009) in the total deposits of the banking sector. This confirms the dependence of these non-deposit financial institutions on the banking system rather than the other way round.

The insurance companies in the Republic of Macedonia are practically absent from the Macedonian stock market of long-term securities. They possess shares of some enterprises and banks, but those shares are commonly gained on the base of transformation of the unsettled payments of the premiums on the part of the insurance companies in the shareholding

³⁷ NBRM (7 - 2011) - Report of Financial Stability of Republic of Macedonia for 2010, NBRM, (07, 2011)

capital. The insurance companies in Macedonia do not behave as real investors yet, and the positive effects of these investors on the creation of well-functioning and well-regulated securities is omitted, as well as in the development of the portfolio management.³⁸

From the total investments of the insurance sector, the participation of investments in state securities and bank deposits was 89,7% which is by 2,3 % more in contrast to 2009. The driving force of this tendency are the companies of non-life insurance where 87,7% from the finances covering the technical supplies are state securities and bank deposits. Within the life insurance 42,9% of the means covering the technical supplies are bank deposits, and 57,1% are state securities. The investments in stocks for 2010 decreased by 106 million MKD or by 36,7%.

At the end of 2010, the assets of the insurance companies increased by 316 million MKD (2,6%) and achieved the sum of 12.519 million MKD. In contrast to 2009, in 2010 this sector noticed a gain of 75 million MKD of which 57,6% are in the gain of the companies for life insurance. Advancement was also noticed in the increase of the premiums from 428.394,00 billion MKD in 2003 to 648.622,00 billion MKD in 2010.³⁹

In direction of increase of the degree of stability of the insurance sector in the Republic of Macedonia, a guarantee fund of the National agency for insurance was established. One of the long-lasting sources of risks on the stability of this segment are the means covering the technical supplies, which do not possess the legally prescribed minimum for a total coverage of the technical supplies within the non-life insurance companies (they cover only 68,6% of their technical supplies in contrast to the life-insurance companies where this coverage is 103,9%).

The non-banking financial institutions in the country participated by 10,1% in the total financial assets in 2010 (with exception of the saving banks as deposit mediators). Their participation in the GDP for 2010 is 8,1%. These indicators confirm the weak influence of these institutions in the total economy. This institutional segment is characterized by: its strong contribution in the strengthening and development of the financial markets through creation and supplying of a wide spectrum of new financial instruments; an increase of the competition in the sector, in the motivating for saving; the concentration and efficacious allocation of the capital; development of the corresponding legislative; development and creation of new financial institutions, increasing the information, or in short - development of the total financial infrastructure and economy. That is why

³⁸ Filipovski Vladimir (2002) - The capital market and the Development of the Financial Sector in the Process of Economic Transition, PhD thesis, Faculty of Economy, UKIM, 2002

³⁹ State Statistical Office - Statistical Annual of the Republic of Macedonia for 2010, SSO, 2011

an imperative for every economy is to provide terms and mechanisms which would motivate the development of the non-banking financial institutions in their own economy.

LIMITING FACTORS AND FUTURE POSSIBILITIES

Within the factors limiting for the development of financial markets and institutions we could mention: the transitional process, the painful and long inside privatization, the non-integrity of the Macedonian financial market with the international, the delayed appearance of non-banking financial institutions, the absence of corresponding regulatory infrastructure, the absence of a wide spectrum of securities, the insufficient knowledge and awareness of the economical agents of the comparative advantages of the instruments and services offered by the non-banking financial institutions.

In perspectives of the middle-term development of the domestic financial market and the insurance sector, we could mention: the regional and international integration of the Macedonian market of securities; the further harmonization of the legislative on this matter with the European legislative; creation of a long-term strategy for development of the sector of institutional investors, i.e. utilization of the pension reforms in this direction; providing new resources of financing from the means of the pensioners in the private pension funds; continuous activities for improvement of the functioning of the stock market in operational, managerial and structural sense; research of the need of several stock markets; emissions of state securities for monetary purposes; utilization of state securities with various validity dates in the function of the coverage of the budget deficit; stimulating of the banks for non-balancing activities and their functioning in the investment banking; increase of the awareness and education of the economic agents of all the possibilities of the financial supplies and the comparative advantages of the services offered by the non-banking institutions, etc.

CONCLUSION

The insurance sector has a significant role in the global financial system because the insurance companies function as managers of pension funds, managers of investment funds, holders of the insurance sector, etc. The analysis of the insurance companies in the transitional process reflects a strong domination of the state according to the type of insurance or geographical areas.

When we take into consideration the influence of the well-functioning financial system on the total macroeconomic and financial stability, we can conclude that transitional economies are still to work on achieving the needed level of financial development and financial integrity, which is an imperative in the strong wave of globalization.

The comparative analysis of this sector shows that in Republic of Macedonia, the insurance companies are a relatively small sector with a high share of foreign capital.

In the Republic of Macedonia the interaction between the banks and the insurance companies as two main segments of the financial system (according to the amount of the assets) is not sufficient, which ensures limited transfer of the potential risks from one segment into the other, and at the same time presenting inspiring factor for strengthening of the type of services offered by the financial sector.

In the future, the policy must be directed towards: development of the insurance sector in the Republic of Macedonia in regional and international integration of the Macedonian capital market; further harmonization of the legislation of this matter to the European legislative; creating of a long-term strategy for development of the sector of institutional investors, i.e. utilization of the pension reforms in that direction; providing of new sources of means for the insurance sector, etc.

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INVESTING IN PENSION FUNDS AS SECURITY FACTOR IN THE THIRD AGE OF LIFE⁴⁰

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ABSTRACT

Financial markets are the engine of market economies. These markets can effectively perform their functions through the operating of financial institutions. The main feature of these institutions is to mediate between the owners and users of funds. Private pension funds occupy especially important place among the institutional mediators in the financial markets. Private pension funds have become major participants in the financial market due to the huge amount of mobilized funds and their optimal allocation. The presence of these funds provides a guarantee for financial independence of the population living in the third age of life, on one hand, and on the other, affects the efficiency of the financial market in the country. Private pension funds in Republic of Macedonia began to function with the undertaken reforms in the pension system. Currently in the country operate private voluntary and mandatory private pension funds. This paper will do research on the perception of the population in the country for the reforms of the pension system, the functioning and importance of private pension funds and the benefits of investing in them.

Keywords: financial markets, voluntary pension funds, mandatory pension funds, individuals.

⁴⁰ original scientific paper

INTRODUCTION

An effective functioning of financial market, means presence of supply and demand of funds of free financial resources, developed system of financial institutions, large and diverse range of financial instruments, political, monetary and economic stability. Very important role as intermediaries in the market have pension funds that are institutional investors who provide security and stability in income of individuals after the service life. Providing reliable income for retirees is very complex and important function of each state. There are two types of pension systems worldwide, i.e. PAYGO (hand in mouth) and Chilean pension system. PAYGO system operates more than 120 years and its creator is German Chancellor Bismarck. This system works on the principle of intergenerational solidarity, i.e. employees pay contributions that are used to pay the pensions of current retirees. This system can operate effectively while the ratio between employees and retirees is 3:1. After the deterioration of this ratio on account of employees, the system will face serious problems and its survival will be questioned. In the second half of the 20th century the ratio between employees and retirees is deteriorating due to a large number of countries which have started to reform the pension system following the Chilean model. In the Chilean model every employee has his own account where he/she pays contributions, while mobilized resources are placed on the capital market, with the ability to increase and as such they shall be paid to its owner when they meet the requirement for retirement.

Macedonian reforms began in 2000. The aim of the research in this paper is to see whether individuals invest in private pension funds and whether they are sufficiently familiar with the benefits of investing in them.

LITERATURE REVIEW

Capital financed funds increase the supply of long-term financial funds, influence on the performance boost of the accumulated funds and enrich the financial infrastructure in the country. The stimulation of aggregate savings is an important motivation of governments that encouraged the accumulation of fully funded pension funds. Based on the field data of comparable pension funds and life insurance of eleven countries for the period from 1982-93, the study produced statistically significant international evidence to support the higher aggregate savings. (Pensions, savings and capital flows, Helmut Reisen, 2000.106). Private pension funds need to be regulated and supervised by the government of each country. This regulation is very

important to protect the interests of individuals. (Barr and Diamond, Reforming pensions: Principles, analytical errors and policy directions first published in the International Social security review Vol 62 N 2 2009 pp12). For the larger number of private pension funds the following is typical: they do not only follow the maximizing of the yield, but take care of the real purchasing power of their assets, show more inclination towards investment in domestic assets, they adjust the capital with the structure of liabilities. (Pensions, savings and capital flows, Helmut Reisen, 2000, p50). Pension funds invest primarily in bonds, stocks, mortgages and real estate (Brigham & Ehrhardt 2002, str.161).

Pension funds are founded by the companies for their employees. Typically, contributions are paid into the pension plan by the employee and by the employer while the employee works for that company (Hull 2011 str.56). There are four principal types of pension plans: (1) defined contribution plans (2) defined benefit plans (3) profit sharing plans (4) cash balance plans (Brigham, Gapenski, Daves, 1999, pg 874).

NEED FOR REFORM OF PENSION SYSTEM IN THE REPUBLIC OF MACEDONIA

In the last twenty years, Republic of Macedonia is in the process of social, economic and structural changes. Adverse trends in the economy, especially the growing unemployment resulting in a reduction of active contributors and the increasing number of retirees, caused venture of the ratio between employees and retirees as well as an increased deficit. The most important factors for pension reform (state pension funds) were:

- The shortage of funds in the state pension fund for payment of pensions due to deteriorating relations employees-retirees;
- Dependence on the government, the pension deficit is financed from the state budget;
- Unfavorable distribution of the pension (today employees pay more contributions than they will receive a pension);
- PAYGO system is a collectivization scheme which narrows the liberty of the individual of organizing his life and making his future in the third age of life;
- PAYGO system negatively affects the financial market since it does not increase savings because funds are quickly spent and they are not invested.

CURRENT CONDITIONS IN PENSION AND DISABILITY INSURANCE

Pension and Disability Insurance Fund (PIOM) operates on the principle of intergenerational solidarity, and for the past twenty years it faces unfavorable financial problems. In all these years the relationship between employees and retirees is deteriorates and this causes a reduction in the funds accumulated in the Fund.

Unfavorable ratio between retirees and employees is a fact confirmed by the following data (PIOM Annual Report from 2011, page 10):

-in 1992 there were 193,294 retirees, and the number of employees was 531,083 i.e. the ratio between employees and retirees is 3:1 ;

-in 2012 there were 282,334 retirees, and the number of employees was 507,061 retirees, i.e. the ration between employees and retirees is 1,8:1 .

In the analyzed period it is evident the reduction of the average pension in relation to average wages, which in 1992 represented 77.1% and in 2012 represented 51.3% of the average wage (Report on the PIOM Fund in 2012. page. 26).

The decline in the level of pensions implies a decline in the living standards of future retirees, and in case they want to be financially independent in the third age of life, it is necessary to undertake measures, i.e. to invest while they are of working capability and to reduce their financial independency.

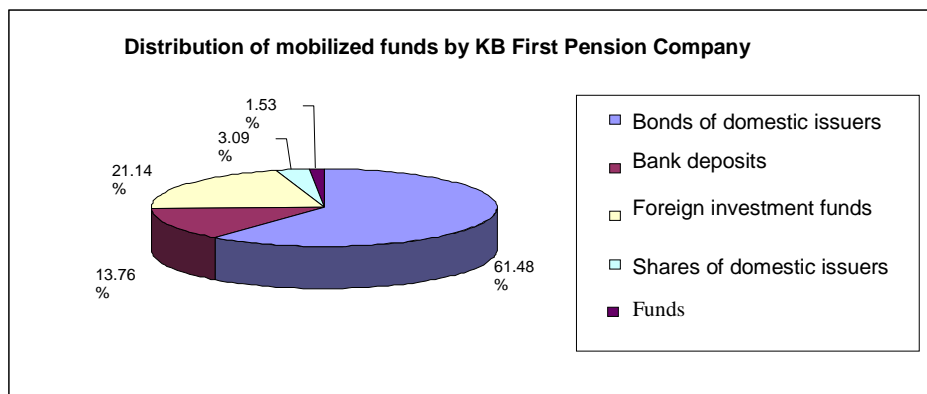
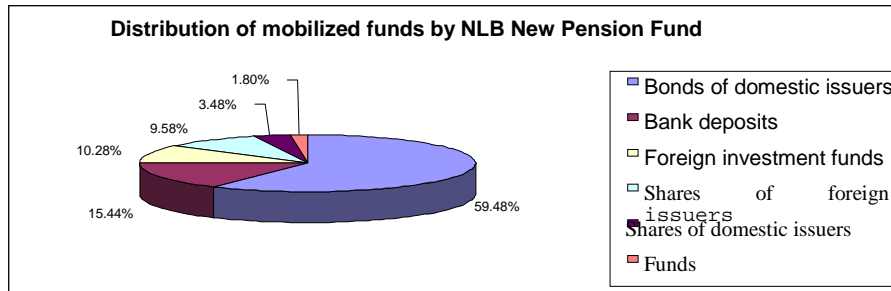
MANDATORY PENSION FUND

Pension system reform in Macedonia is introduced to provide financial and social security for current and future retirees. By creating opportunities for the operation of private funds there are assumptions created that by investing invests funds in them, the population will increase the earnings in third age of life.

In 2006, two open pension funds started with their work in Republic of Macedonia, such as NLB New Pension Fund and KB First Pension Company which actually constitute the second pillar. According to the latest data from the Agency for Supervision of Fully Funded Pension Insurance (Monthly Newsletter 9/2013 p.2 MAPAS) in New Pension Fund NLB the number of members was 161 622, and KB First Pension Company , 161 622 members.

These companies place the mobilized funds on financial markets in order to enrich them and make profit.

The distribution of the mobilized means of NLB New Pension fund and KB First Pension Company in 2012 is graphically presented below.



VOLUNTARY PENSION FUNDS

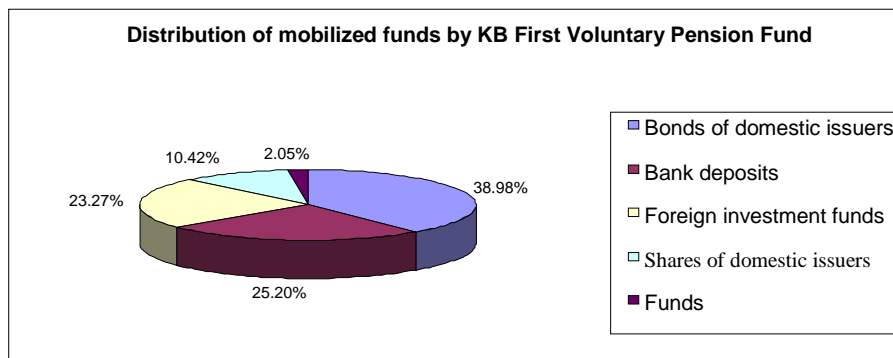
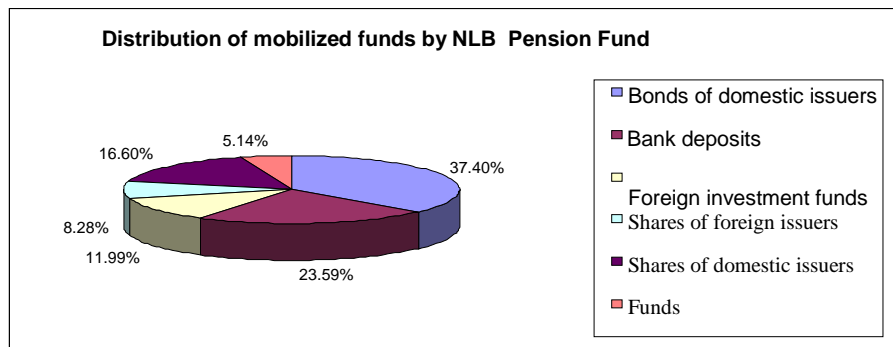
The main objective of the third pension pillar- voluntary pension funds, is to provide higher income after the retirement of the employees and pension incomes of the unemployed. There are two voluntary pension funds in Republic of Macedonia: NLB Pension Plus and KB First voluntary pension fund. These funds provide two ways of membership through involvement in occupational pension schemes for companies or citizens and individual membership. As of 8/31/2013, according to a report from MAPAS (Monthly Newsletter 9/2013 p.5 MAPAS) in:

NLB Pension Plus, 5.951 members-individuals; 3.650 with voluntary individual account and 2.301 individuals in pension scheme with occupational account

KB First voluntary pension fund, 11.853 members-individuals; 1.139 with a voluntary individual account and 10.714 individuals in pension scheme with occupational account.

It can be concluded that the number of individuals and companies investing in funds for financially more stable and secure living in third age of life is still small.

Mobilized financial funds by NLB Pension Plus and KB First voluntary pension fund are invested as follows:



These funds allow individuals with savings a clear insight in their gains from saving, guarantee financial independence for life in the third age of life, affect the increasing of motivation for savings and improve the efficiency of financial markets.

RESEARCH METHODOLOGY

Considering the fact that the investment of funds by individuals in private pension funds provides a guarantee of financial security in the third age of life, the survey covered the individuals. The main goal of the survey was to obtain information on how much the population is familiar with the operation of these funds, where they distribute the funds and what is the benefit of investing in them. For the realization of this goal a questionnaire with 25 questions was created. The questionnaire included 150 of those surveyed. The survey was conducted in the period from 15th August until 5th November, 2013. The survey included people of different age groups, with different educational level, different incomes and different sex (55% women and 45% men).

RESULTS FROM THE SURVEY

On the first question - whether they know why it was necessary to reform the pension system, 112 of those surveyed or 75% answered affirmatively. While analyzing the survey, we concluded that a satisfactory percentage of the population are familiar with the reform of the pension system, the reasons why the reforms have started, the current financial condition of the state pension fund and sources of funds provided for the payment of pensions.

On the question whether they know what the funds allocated from their gross salary in state pension fund are intended for, 83 of those surveyed i.e. 55,22% answered affirmatively, that is, they are familiar that those funds are intended for payment of existing retirees, while 44,78%, i.e. 77 from those surveyed answered that they are not informed.

On the question - whether they know what happens to the funds allocated to private voluntary funds-59% of those surveyed said they know and 41% said they don't.

It can be concluded that the population is not sufficiently informed that private pension funds invest these funds in the capital market and they will be paid to them (if invested well, the funds will be higher) when they qualify for a pension.

Based on the answers to the question whether it is safer to invest, i.e. to invest their free financial funds in a bank or in private voluntary fund, 63,35% answered that they trust banking institutions more. This attitude of the population is affected by the fact that the banks have longer tradition, and private funds date back only several years and on the other hand there is also the poor awareness of the population regarding the benefits from investing in private pension funds.

On the question whether they save, they gave interesting answer. 90% of those surveyed answered that they do save funds, which is confirmed by the fact that in form of bank deposits, there are 2,8 billion Euros deposited by the population.

On the question whether it is necessary to allocate funds in a voluntary pension fund in order to reduce the financial uncertainty in the third age of life, 59.4% answered positively and 40.6% think that is not necessary.

SUGGESTIONS FOR ENCOURAGING THE POPULATION TO INVEST IN PRIVATE PENSION FUNDS

Based on the research it can be concluded that private pension funds still have not caused an interest among the population to invest their free funds in them. Therefore the following is necessary:

- More aggressive informing of the population by the media regarding the benefits from investing in voluntary pension funds;
- Existence of financial advisors who will assist individuals in making personal retirement plan (pension plan);
- Greater media advertising of existing voluntary private funds for the results achieved and the benefits they offer to the existing and prospective members;
- Greater participation of pension funds in the curriculum of higher education, which will enable young people to be promptly informed about the importance and the benefits they provide;
- Organizing debates about the functions and objectives of pension funds, in order to motivate the population of taking prompt measures to ensure financial security in retirement.

CONCLUSION

Pension funds are important institutional intermediaries and their presence on one hand allows individuals to invest funds and thus reduce financial uncertainty in the third age of life, while on the other hand increases savings and thereby increases the supply of free funds.

Despite the poor financial condition of the Pension and Disability Insurance Fund in Republic of Macedonia which does not guarantee the expected

retirement, the population still does not invest in voluntary pension funds which actually means that it does not invest in more secure financial future. The survey showed that there is a need of more aggressive advertising and finding different models and forms of informing the population in order to encourage their investing in financial funds in these funds. Next research that would extend this issue is a comparative analysis of the investments of the population in private pension funds in the region.

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THE FEMALE POPULATION AS A GRANITIC COLUMN OF THE LIFE INSURANCE IN THE REPUBLIC OF MACEDONIA⁴¹

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ABSTRACT

Nowadays, in the contemporary market conditions of living and working, life insurance of people with its means, measures and actions is included in the general efforts of the community to protect the people from dangers that may occur. The sole activity of the life insurance of the population is directed towards providing a permanent protection of the national treasure in all its spheres.

In the frames of the research, the technique of survey has been applied. As a mean (instrument) for gathering information and data, a Questionnaire has been made in accordance with the determined problems, goals and tasks that had been set. The Questionnaire has been made in two parts. In the first part of the questionnaire we have standard questions concerning the socio demographic and economic variables. In the second part of the questionnaire, questions have been formulated concerning the attitudes of the users of the insurance. At some of the questions the person that has been surveyed gives the answers by ranking.

With this research the idea was to examine the similarities and differences that influence the socio economic and demographic factors of the capacity of the contracts for life insurance that had been concluded. Based upon the existing knowledge and the problems set in the research, we explored our basic hypothesis: the level of demand of the life insurance comes as a result of the gender of the population (besides the other numerous economic, social and organizational determiners). From that point, we divided the goals and the tasks of the research of our basic hypothesis to more additional hypotheses.

KEY WORDS: Life insurance, surveying, male and female group of examined people, analyses of the received data.

⁴¹ review scientific paper

INTRODUCTION

The research of the life insurance in the Republic of Macedonia has been conducted in the Ohrid region, the people examined are chosen upon the principal of natural way. We expect that such an extract would be convenient for the generalization of the results received from the research and that we would generate an answer on the already set problem and hypothesis, who is the founder of the life insurance in the family⁴².

The gathered information had been processed by mathematical- statistical methods and procedures. The order of their use is determined by a methodology from the scientific- research work. It is important for the determination and as well as on time elimination and implementing of particular characteristics that would allow us quality analyses of the research.

Ordering of the data upon Lancaster in the charts of contingency⁴³ has the goal to find the most subtle connection and to discover the non-parametrical value, as well as to avoid “losing” information. Using this way, based on the frequencies in each class, a real number has been added. The subordinated result has a normal distribution $N(0,1)$, in other words the mark is normalized.

By copying the data from lower ladder to higher ladder, in a way that the subordinate mark has normal distribution $N(0,1)$, allows use of the procedure which is in union with the ladder of proportions. According to what has been displayed, we can notice that it is possible to use multi-variation analyses of variations (MANOVA), discriminative analyses, Roy’s

⁴² A man and a woman sitting on the table argue. The man hits the table and asks: “Who is the boss of the house?”. The woman slaps him in the face, and he asks: “Why did you hit me ,I only asked”. www.vesti.rs/Estrada/Vic-dana-Gazda.html.

⁴³ The chart of contingency is made of two columns containing each two marks: the characteristics in choosing the life insurance and the gender of the applicant. Each of the two marks contains two modalities. The marginal value expresses the total number of marks. Through the chart of contingency we can notice that the female applicants, who in that case are empirical data, prefer life insurance in situations of experiences and additional insurance of people from the consequences from accidents by insuring their lives, but the theoretical frequencies are not identical. But to consider the chart as statistically important the differences between the theoretical frequencies are not identical. But to consider the chart as statistically meaningful is important to value the differences between the theoretical frequencies with different statistical tests. Those are: Xi- square test, Pearson’s test, G-test, Fisher’s test and Bernard’s test.

test and other parametrical procedures and methods on the data on the ladder.

By finding the discrimination coefficient we distinguish characteristics that determine the specificity of the group and the marks that have to be eliminated from the further processing, and that way we reduce the area that is observed.

The estimation of the homogeneity of the group and the distance between them (Mahalanobis) can be reached by a precise analyses of the occurrence observed.

Besides the multi-variant and uni-variant procedures of analyses of the gathered data there are also used: discrimination coefficient and Student's test of the proportions.

Upon the estimation of the distance among homogenous groups the distance between the groups has been determined. The procedures that are listed have the goal to determine the characteristics of each group, the homogeneity of the group and the distance between the groups based on the defined characteristics, in order to draw a secure and precise prognosis.

LIFE INSURANCE IN THE REPUBLIC OF MACEDONIA

Besides its main role, economic protection of the population, life insurance has a significant development role. It arises from the fact that the premiums in the insurance are charged in advance and the payment of the sum insured to the person for the event that was made is made after the occurrence of the same one. Special quality means of investment in the financial markets and in the development programs are the money from the funds of life insurances that have a long term character.

The economic function of the insurance is precisely determined, as we mentioned before, the payment of the insured sum is when the insured event occurs.

The payment of the insured sum can be done from the insurance, in the moment when it is the mostly needed. The payment from the insurance can be observed from two sides, and those are:

■ The first side is the interest of the individual, because it allows the insured person economic protection, in order to preserve the integrity of the insured in circumstances when the insured event occurs. The payment of the insured sum from the individual's aspect has a form of means of "reimbursement"⁴⁴. The payment of the sum insured from the insurance

⁴⁴ The purpose of the conclusion of the contract for life insurance cannot be compensation of damage, but payment of the previously arranged sum.

allows the insured person, economic security, because the purpose is to protect the future needs of the insured. In this way, each insured person is allowed certainty, that he needs, by converting the uncertainty into certainty- the insurance is an element (factor) of security. This phenomenon, the need for security, in the contemporary conditions of living is significantly larger than in the previous period. The current way of living is characterized by an increased amount of risk.

■ The other side, is the interest of the society, because the life insurance, by payment of the sum insured eliminates from the society, especially in the economy, the harmful circumstances occurred by accomplishing the risk, or in other words the accident. This way the insured, at the same time obtains a particular stability that is needed for the economic survival of the society. At the same time, by the stability, we also achieve a continuation in the production, other disturbances do not occur, as the interruption of the sale of the products, sacking the employees and so on.

Chart number 1- Total policy premium charged- life insurance in the period of 2009-2012 **000 euro**

Insurance company	2009	Index 2009/2008	2010	Index 2010/2009	2011	Index 2011/2010	2012	Index 2012/2011
QBE Macedonia	358,5	/	242,0	/	186,2	/	130,3	/
Croatia insurance	1.844,5	124,33	2.229,2	120,86	3.268,0	146,59	3.964,2	121,30
Grawe insurance	2.688,3	115,95	3.293,2	122,50	3.973,5	120,66	4.315,1	108,59
Uniqaj Lajf	/	/	/	/	218,9	/	661,6	302,29
Winer Lajf-Wiena	/	/	/	/	434,5	/	654,4	150,60
Total	4.891,3	112,8	5.764,4	117,84	8.081,2	140,19	9.725,7	120,35

Source: - insurance bulletin of the Republic of Macedonia, National insurance bureau, 2008 and 2012, Skopje

- Report of the capacity and the content of the work of the Insurance Society, The Insurance Supervision Agency, 2009, 2010, 2011 and 2012, Skopje.

The data persuasively show the constant increase of the charged policy premium from the life insurance and as well a constant grow in the participation in the total policy premium of insurance in the Republic of Macedonia.

According to the indicators from the chart display (Chart number 1), it is evident that the company for life insurance Grave , for the period that was

observed, permanently takes the dominant position at the market for life insurances in The Republic of Macedonia and that is by 44.4% (2012).

RESULTS FROM THE RESEARCH AND INTERPRETATION

By the research that was conducted we wanted to explore if there were significant differences between the independent mark genders in relation to the independent mark being prone to saving (insurance).

The goals set are defined by the following tasks of the research:

- to determine the frequency of independence (the gender of the examined person) in relation to the dependency (being prone to saving-insurance)
- determination of the differences and the similarities, in other words the influence of the independent variables on the dependent ones
- to determine the characteristics and homogeneity of the independent in relation to the dependent variables, to determine the distance of the dependent and independent variables

The research of the life insurance is conducted in the Ohrid region, on an extract of 536 people that have the following structure:

Gender of the examined people

- male	277
- female	259
- Total	536

Marital status:

- a) Married - 241
- b) Single - 295

The age of the examined people:

Age 1:	to 30	129 people
Age 2:	from 31 to 40	267 people
Age 3:	from 41 to 50	330 people
Age 4:	from 51 on	237 people

Degree of occupation:

- a) Elementary education -27
- b) Secondary education- 305
- c) Higher education -48
- d) University diploma -145
- e) Master degree/ doctorate -11

The range of the family or personal income:

- a) Up to 10,000 denars 172
- b) From 10.000- 20.000 denars-172

- c) From 20.000- 30.000 denars -96
- d) Above 30.000 denars -96

Index of the body weight:

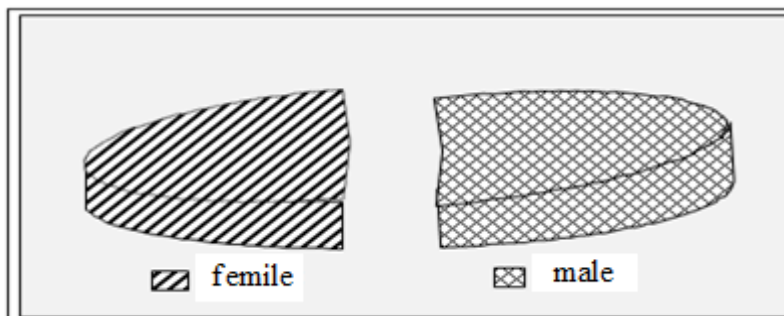
- a) Bad nutrition -13
- b) Normal nutrition -261
- c) Obese-206
- d) Overweight 1st degree- 44
- e) Overweight 2nd degree- 9
- f) Overweight 3rd degree-3

Chart number 2- number (n) and percentage (%) of representation of the people according to the gender

	female	male	total
No.	259	277	536
%	48,32	51,68	100%

From the above given chart it is evident that the research has been conducted on the statistical extract of 536 people. The structure of the extract consists of two groups of gender (female and male). According to the number, insignificantly more is present the male gender with 277 people (51.68%) as opposed to the female with 48.32%.

Graph number 1- Structure of the examined people according to their gender



In the further analyses we excluded the independent variable marriage (married, single), because the changes are almost similar as the changes in the gender.

The independent variable of the amount (the level of the personal and family income) was also excluded from the further analyses because is very similar (corresponds) with the degree of occupational qualifications. According to this, besides the total anonymity, the examined people are not ready to answer this question absolutely honestly which makes the collected

data not accurate. More accurate data for the income of the people can be obtained from the secondary sources (The Institute for Statistics and the Economic Chamber of the Republic of Macedonia).

Getting into consideration the different socio-economic and demographic characteristics of the people, we only want to describe (discover) the profile of the user of the targeted market segment (the life insurance market). The profile of the insured is a description of the relevant characteristics of the average user of the products and services of the life insurance.

According to the set task of this research, an analysis has been conducted of the attitude of the people towards the survey question that was asked, on a statistical extract of 536 people divided in two groups (male and female). The goal is to find out if there is or there isn't similarity, or in other words differences between these two groups, at all or just in a part of the possible solutions of the examined on the survey question asked. In The Conditions for Insurance and The Tariffs of Premiums at all life insurance companies, besides the other elements of calculation of the premium at the first position is the gender of the potentially insured person. Namely, up to few years ago, the age when they approach, in the insurance Tariff was shown only for man. For females, the age when they approach was considered the male age lowered by 4 years. Meanwhile, from 2005, when it started functioning in the real sense at the market of life insurances, the tariff system was set separately for males and separately for females.

ANALYSES AND RESEARCH OF THE CONCLUDED LIFE INSURANCE IN GROUPS DETERMINED BY GENDER

In this part of the research is conducted an analyses of the research of the life insurance according to the gender of the examined.

Based on the goal of the proceeding, the methodology of the steps and the based hypothesis in this part of the research, analyses of the attitudes of the examined people is made. The extract of 536 people is divided into two target groups according to the gender. In this chapter the existence of similarities will be determined, in other words the difference between the groups, in general or considering only some particular marks of the attitudes of the examined. The procedure of analyses is conducted upon the question: "Would you use the increase of your incomes "for": and there are four solutions: saving, touristic travelling, buying luxurious items, and other.

In the chart 3 the presence of different levels of attitudes of the examined is shown in groups in numbers (n) and percentage (%) values.

Chart number 3- The ratio of the examined people on the question asked

	Savin.-insur.		Tourist travel		Buy-luxury		Other	
	No.	%	No.	%	No.	%	Бр.	%
female	119	46,9	68	28,2	14	4,5	58	20,4
male	115	41,5	61	22,0	23	8,3	78	28,2

Sav.-saving, tur.tra.- touristic travelling, buy.lux.- buying luxurious items, other

In the Chart three it is evident that when the question asked “ Would you use the increased incomes for?”, the female population mostly chose “saving” with 119 people (46.9%) from the total of 259, which number is significantly greater than the attitude “the other” which was the answer given by 58 females (20.4% $p=0.17$), and buying luxurious items 14 females (4.5% $p=0.00$).

Nowadays, in conditions of financial crises in The Republic of Macedonia, the weaker gender is the granitic column of the family budget⁴⁵. Our mothers and wives, because of the longer average life probably have the real sense for the life insurance also. Namely, the females, having a longer average life (4 years) than men is a good argument for cheaper insurance, but at the same time as more conscious drivers have benefits in insurances for car responsibilities⁴⁶.

⁴⁵ The citizens of the Republic of Macedonia approximately live four years less than the citizens members of the European Union, show the results of the European Union, show the results of the research of the World Health organization (WHO), made in the name of the World’s Day of Health-7 April.

The average life in the countries of EU is 79.6 years, and in our country the females live an average of 76.3 years, and males 72.3 years.

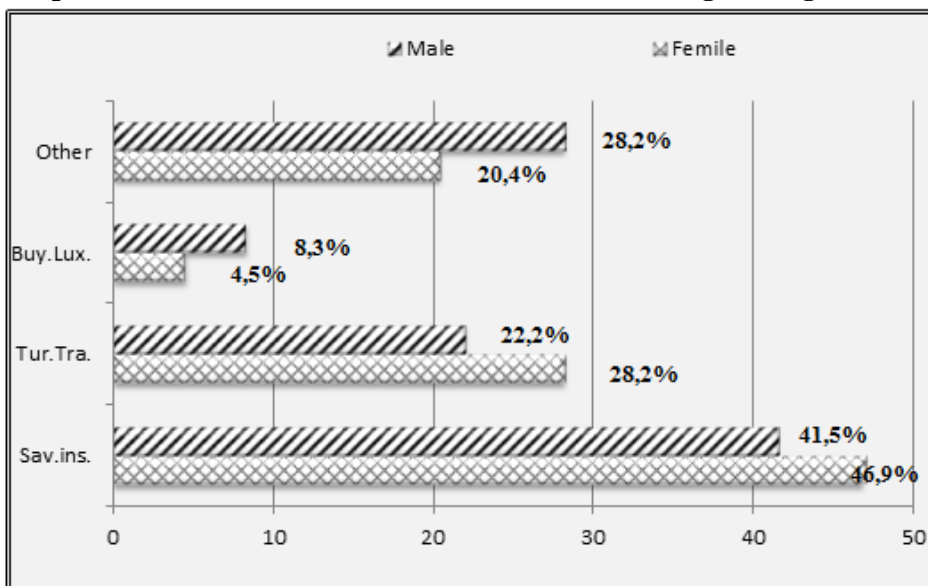
⁴⁶ There was a research conducted in Portsmouth in order to discover which gender is better at driving, in other words who has a greater chance to make an accident, and the results may be shocking for the males! In the period of 4 years 19000 “black boxes’ were mounted, the same type as the ones that are in planes in the same number of cars in Great Britain. They recorded the events during driving, and found out that females more rarely crossed the recommended limit, were more careful and were not driving at night, when the greatest number of accidents usually happens. In other words, it is definite. Females are better drivers than males. ([/www.kurir.mk/magazine/zivot/91950-](http://www.kurir.mk/magazine/zivot/91950-)).

Chart number 4-Homogeneity of groups according to gender on the question asked

	No	%
Female	119/259	45,94
Male	115/277	41,52

In the analyses of the differences among different groups according to the gender in relation to the attitudes of the examined on the question asked, we can notice that there is a difference in the attitudes of the examined from the first and the second group on the question: “Would you use the increase of your income for insurance, the females’ was 119/259 (45.94%) larger than the group of males 115/277 (41.52%).

Graph number 2 – The Structure of the marks according to the gender.



CONCLUSION

By fulfilling its function for economic protection, in other words by fulfilling the obligations from the concluded contract for life insurance, the life insurance overtakes a significant role in the economy and in the society. The economic function of the insurance is precisely determined, that is the payment of the insured sum in cases when the insured event occurs.

By doing its function of economic protection, the life insurance of the population is narrowly connected with the overall economic activity and the life in the society and takes part in the achievement of the general economic

advancement. By doing that, the life insurance of people belongs in a number of economic activities that significantly influence and contribute to the prosperity of the society.

Viewed from the aspect of national economy, the life insurance incites the economic growth. The economic growth has influence upon the occurrence of larger losses that occur as a result of the disposal on greater risks. A large number of contemporary world risks can be viewed on national and international level. As a result of that internationalization a large number of commercial and business activities occur, and also there are the risks that follow those activities.

Nowadays, in the contemporary market conditions of working, the uncertainty becomes more and more larger, in other words the fear of the population due to the impossibility to find new employments (if a member of the family lost its job or approached the age for employment). However, the greatest concern of the citizens is the possibility and the fear of lowering the standard to the level where they could not be in a position to service their expenses on time. Definitely, it can be said that those with the status of lower education, older workers (55 to 65), as well as the females, were the greatest victims in the time of financial crises in The Republic of Macedonia.

The security of the citizens on the labor market nowadays in The Republic of Macedonia is on a really low level. The burden of the concerns in many ways seems to fall on the weaker gender. From the previous researches can be seen that the female population is the main driving force, initiator in concluding life insurances. Namely, in the last years the number of females as clients in the sector of insurance has evidently increased.

The Republic of Macedonia is still waiting at the gates to enter the European Union, and from that point the female population will still be privileged in the conclusion of contracts for life insurance or car insurance, our ladies will still pay "less for more".

We are deeply convinced that this research would have been broader, and the results more accurate if it had been conducted on the behalf of some insurance company. The research project itself and the structure of the research team would have been more complex.

The target group of users (both genders) of life insurance came to be from the third chronological age (from 41 to 50 years old), with high education, with a level of the family or personal incomes of 10,000-20,000 denars and with the average body index of 29.5.

RELEVANT LITERATURE

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**PRACTICING SUPPLY CHAIN MANAGEMENT IN
WINE INDUSTRY AND RECOMMENDATIONS TO
THE WINE INDUSTRY IN REGARDS TO
IMPROVEMENT OF THE SUPPLY CHAIN IN THE
REPUBLIC OF MACEDONIA⁴⁷**

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Abstract

Wine consumers in 21 century are very demanding in terms of the quality, price, delivery reliability and the total set of services they receive from the companies participating in wine industry. On the other hand, these companies are faced with increasing pressures imposed by global hyper competition to deliver quality wines with the right price, at the right time, at the right place and for the right costumers. In these market conditions, local markets are becoming too narrow and internationalization of operations becomes a necessity. This is especially true for Macedonian wine producers, whose domestic market is one of the smallest in Europe. Good supply chain management optimizes business processes, enables coordination of operations from the process of design until the final sale of wines and improves the competitive position of wineries in the domestic and international market.

Key words: wine-growers, wineries, end customers, information sharing, postponement;

INTRODUCTION

Domestic wine market is very small and limited, so wineries have no other choice but to orient to foreign markets. European wine market, as well as the global one, is very competitive so the only way to succeed is the development and adoption of a common, mutually agreed strategy for

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operation of all members involved in the supply chains of Macedonian wine. Effective and efficient supply chain management is a valuable asset for gaining competitive advantage, because the competition is no longer between individual companies that are on the same level of the production process (the wineries), but between whole supply chains, from raw materials to end customers.

The purpose of the article is to identify the opportunity for implementation of supply chain management practices to increase the competitiveness of Macedonian wine. To fulfill the purpose of the research, several goals must be completed: to explain the current situation, describe the characteristics of domestic market, export and wine trade in Republic of Macedonia, to identify the problems and explain the concept of supply chain management and its implementation in wine industry. The research is based on dialectical method, descriptive analysis, analysis and synthesis, induction and deduction, historical and comparative method.

CURRENT SITUATION OVERVIEW

Viticulture is an important strategic industry in the country and together with wine production contributes about 17 % - 20 % of the agricultural gross domestic product. Moreover, wine is the most exported from all the alcoholic beverages, and a second most valuable product in terms of export value of agricultural products, right after the tobacco.⁴⁸

In the period 2009-2011, according to the data of the State Statistical Office, there has been an increase in the area under grapevines in the Republic of Macedonia. In 2009, grapevines were cultivated on an area of 19.960 hectares, in 2010 on 20.033 hectares, and in 2011 on an area covering 20.164 hectares.⁴⁹

Wine production in 2012 was 780.769 hectoliters of bulk wine and 159.019 hectoliters of bottled wine. In the past few years there has been an upward trend in the production of bottled wine, ranging from 149.372 hectoliters in 2010 to 159 019 hectoliters in 2012. According to the data of the Statistical Business Register, there are 81 wineries in the Republic of Macedonia, located mostly in Skopje, Kavadarci and Negotino.⁵⁰

⁴⁸ Ministry of Agriculture, Forestry and Water Economy: Draft strategy for viticulture and wine production (2010-2015),

http://www.mzsv.gov.mk/nacrt_strategija_lozarstvo_vinarstvo.pdf

⁴⁹ State Statistical Office in the Republic of Macedonia: For wine,

<http://www.stat.gov.mk/ZaVinoto.aspx>

⁵⁰ Ibid;

In the Republic of Macedonia there is one viticulture region that coincides with the territory of the Republic. Primary production is located along the river Vardar in the vineyards of Skopje, Veles, Tikvesh and Gevgelija–Valandovo, covering about 83% of the total production of grapes and wine. Other vineyards covering around 17% of the production of grapes and wine are: Strumica- Radovish, Ovcepolje, Kocani-Vinica, Kumanovo, Kratovo, Prilep, Bitola and Ohrid. There are 16 sub - regions (vineyards) which are characterized by different production conditions and quantities. The Tikvesh wine region is the one with the highest production levels of grapes and wine (about 30%). After Tikvesh, the biggest in terms of production are the vineyards of Gevgelija - Valandovo, Strumica- Radovis, Skopje and Veles.⁵¹

There are around eighty wineries with a total capacity of 2.165.447 hectoliters which is two times bigger than the total production of wine (50% utilization of total capacity). The total capacity for pouring the bottles is around 650,000 hectoliters per year and is insufficient to cover the total wine production in the country. Although there is lack of capacity, the capacity for pouring the wine bottles remain unused because most of the wine is exported in bulk.⁵²

Most of the wineries (90%) are with capacity to 50,000 hectoliters, 5 are with capacity from 51,000 to 150,000 hectoliters and 4 with a capacity from 151.000 to 500.000 hectoliters. The capacity of wineries producing red wine (60%) is higher than those producing white wine (40%) due to the fact that part of the grapes suitable for production of white wine are used for production of the national alcoholic beverage rakia.⁵³

In the last ten years, the number of new wineries (mainly small and medium sized manufacturing plants) is three times increased compared to 2003 (only 28 registered wineries). These wineries tend to focus on producing bottled and high quality wines through strict selection of grape varieties and management of vineyards, harvests, and transport and delivery practices. In addition they invest in sophisticated equipment for finishing and processing, bottling and marketing technologies in order to become competitive on domestic and foreign markets.⁵⁴

⁵¹ Ministry of Agriculture, Forestry and Water Economy: Draft strategy for viticulture and wine production (2010-2015), http://www.mzsv.gov.mk/nacrt_strategija_lozarstvo_vinarstvo.pdf

⁵² Ibid;

⁵³ Ibid;

⁵⁴ Ibid;

DOMESTIC MARKET, EXPORT AND WINE TRADE

In the last three years the domestic market marks a downward trend in wine consumption. In fact, in 2010 it was 6.6 liters per household, in 2011 was 5.9 liters, and in 2012 dropped to 5.4 liters. The total consumption in 2010 was approximately 4.673.463,6 liters, in 2011 was 3.231.135,1 liters and in 2012 around 2.988.441,1 liters. According to the last year statistics about 18.7 % of total production is consumed domestically.⁵⁵ This consumption is relatively low compared with other European countries resulting in no threat of foreign competitors' entry on the market.

In 2012, the Republic of Macedonia exported 16,552,139 liters of bottled wine worth 16.877.350 euros and 98.608.953 liters of bulk wine worth 38,348,430 euros, for a total of 115.161.092 liters of wine.⁵⁶ Accordingly, it can be concluded that 86% of the total wine export is bulk wine, or a kind of raw product, that is sold at a lower price and generates loss for exporters, but also for the whole country.

PROBLEMS ASSOCIATED WITH WINE PRODUCTION

We can freely say, without any dose of subjectivity and leaning, that Macedonian wines are ones with high quality and can satisfy the preferences of the most demanding consumers. Macedonia is country with long tradition in wine production, and in the last few years this industry is characterized by growth and development at domestic, and even more at international level. We can expect that this trend will continue in the future, because the country has the necessary geographic and climatic advantages, the vineyards are suitable for growing internationally renowned grape varieties, a "native" varieties (Stanushina) and good regional reputation for production of quality wine, increasing number of wineries, most of them with adopted HACCP standards and the country has a free trade agreement with the EU and other countries that are not EU members.

On the other hand, there are some serious issues that obstruct the success of Macedonian wine internationally. The wine exports mainly takes the form of bulk wine, which generates huge losses, lack of modern equipment for filtration, stabilization, pouring in bottles and labeling, lack of horizontal and vertical integration of wine producers, undeveloped infrastructure necessary for development of wine tourism, lack of high education institution that

⁵⁵ State Statistical Office in the Republic of Macedonia: Household consumption in Republic of Macedonia, 2012, <http://www.stat.gov.mk/publikacii/4.4.13.01.pdf>

⁵⁶ Ibid;

produces oenologists, and lack of knowledge in the field of marketing/sales and abuse of collective and private brand.

In order to fulfill the vision of becoming a serious player in the hyper competitive global wine market, inevitably one question arises: how can domestic wineries become recognizable with their product on the global market and instead of being suppliers of bulk wine to become recognized producers of quality wine on the world wine map? Macedonia is at the beginning of the long road of hard work and there is a range of activities that must be accomplished in order to achieve this vision. Investments in modern equipment, infrastructure development, organization of training and courses specialized in the field of marketing and selling of wine, and subsequent development of effective and efficient promotion strategy of Macedonian wine in the global market are part of the activities that must be taken in the next period. Along with these, the practice of good supply chain management and horizontal and vertical integration of wine producers is extremely important and strictly necessary for obtaining the desired competitive position.

PRACTICING SUPPLY CHAIN MANAGEMENT IN WINE INDUSTRY

Supply chain management can be defined as the systemic, strategic coordination of the traditional business functions within a particular organization and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual organizations and the supply chain as a whole.⁵⁷ Supply chain management aims to integrate the flow of materials and information across the supply chain as an effective competitive weapon.⁵⁸ In addition to these two flows, newer definitions also involve the flow of money.⁵⁹

Supply chain in wine industry, in fact, represents a set of entities that are involved in meeting the needs of customers and consists of: suppliers (wine growers are the most important), manufacturers (wineries), warehouses, retailers, transporters and buyers.

Effective supply chain management can be achieved by adopting certain practices which involve upstream and downstream flows across the supply

⁵⁷ Mentzer, John T., DeWitt, William., Keebler, James S., Min, Soonhong., Nix, Nancy W., Smith, Carlo D., Zacharia, Zach G., Defining Supply Chain Management, *Journal of Business Logistics*, Vol. 22, No.2, 2001, 1-25;

⁵⁸ Childhouse P, Towill DR. Simplified material flow holds the key to supply chain integration. *OMEGA* 2003;31(1):17–27;

⁵⁹ Waters, D. *Global Logistics – New Directions in Supply Chain Management*. Kogan Page Limited. 2007. 231;

chain. Different authors use different perspectives in supply chain management practices definition⁶⁰, but for the purposes of this article the next will be discussed in more detail: strategic partnership with suppliers, customer relationships, information sharing and postponement.

Empirical research regarding the relationship between supply chain management practices and competitive advantage of companies show that higher levels of supply chain management practices lead to higher competitive advantage and improved organizational performance.⁶¹

Wine is primarily a product made of grapes. The quality of the grapes greatly determines the quality of the wine, although in recent years new technologies have opened opportunities for production of relatively good wine using lower quality grapes. 75% of the quality of the wine depends on the quality of the grapes, 10% depends on the barrels, 6% on the used production method, 4% on the manufacturer, 3% on the used equipment and 2% on bottling.⁶² So it isn't difficult to understand why it is very important for the wineries to develop strategic and long-term partnerships with grape growers. Grape growers are very sensitive about this relationship because they invest in the long term cultivation of grapes and the final result depends largely on the unpredictability of nature. In many cases the interests of the two sides are opposite, so relationships can easily distort if they aren't built on solid foundation of cooperation and mutual interests. Conflicts often arise about the act of purchase and the purchasing price of grapes. Therefore, building quality, long-term relationships with grape growers is essential for Macedonian wineries. They should help the grape growers in terms of supplying new equipment and organizing training when needed and agree a minimum level of grapes quality.

Exemptions are only wineries that have their own grape production. These normally are wineries that produce so-called premium wines and they

⁶⁰ Donlon JP. Maximizing value in the supplychain. *Chief Executive* 1996;117:54–6; Tan KC, Kannan VR, Handfield RB. Supplychain management: supplier performance and firm performance. *International Journal of Purchasing and Materials Management* 1998;34(3):2–9; Alvarado UY, Kotzab H. Supplychain management: the integration of logistics in marketing. *Industrial Marketing Management* 2001;30(2):183–98; Min S, Mentzer JT. Developing and measuring supply chain concepts. *Journal of Business Logistics* 2004;25(1):63–99;

⁶¹ Bratic, Diana., *Achieving a Competitive Advantage by SCM*, IBIMA Business Review, 2011; Li,S., Rao,S.,Ragu-Nathan, T.S. & Subba Rao, S. *The Impact of Supply Chain Management Practice on Competitive Advantage and Organizational Performance*. *Omega*, 34(1). 2006;

⁶² Moulton, K., & Lapsley J., *Successful wine marketing*, Aspen publication, 60, 2001;

must control the grapes growing process. Premium wines are produced with less use of technology and chemical substances in the manufacturing process and that's why the quality of grapes plays an important role.

Relationships with customers are built through a set of practices that are applied to deal with complaints from customers, build long-term relationships with customers and increase the level of customer satisfaction.⁶³ Relationships with customers are an important component in the concept of supply chain management.⁶⁴

If wineries have developed quality relationships build on mutual trust with their customers, they can easily create targeted marketing strategies for specific groups of customers. Today, sophisticated technological solutions are available on the market that not only give a complete picture of customers' needs, but also portray the overall operations of the winery. Customer Relationship Management systems generate the necessary information for buyers and indicate the best way they can be served.

Information sharing between supply chain members determinates the effectiveness of the supply chain and it's essential if organizations want to achieve cooperative goals. The sharing of information provides connection between activities and operations in the supply chain. Automated information sharing can greatly facilitate and improve these processes quantitatively and qualitatively. Today, most of the information sharing between supply chain members takes form of informal communication through mutually build personal relationships by channel's members. This is especially true for the process of information sharing between grape growers, as suppliers and wineries, as wine producers. However, supply chain members have to think about establishing a mutual system for information sharing and adoption of a common strategy for successful performance on the market, especially on international one. The initiative, as well as most of the funds should derive from the most powerful member in the chain.

Postponement, also known as late customization or delayed product differentiation, refers to the postponement of the differentiation process of the product as much as possible, until the supply chain is cost-effective.⁶⁵ The process of wine production usually takes time of a couple of weeks

⁶³ Claycomb C, Droge C, Germain R. The effect of just-in-time with customers on organizational design and performance. *International Journal of Logistics Management* 1999;10 (1):37–58.

⁶⁴ Noble D. Purchasing and supplier management as a future competitive edge. *1997;5(5):23–7*;

⁶⁵ Garg, Amit and Lee, Hau: Research Report: Effecting Postponement through Standardization and Process Sequencing, IBM Reserch Division, Almaden, 1997;

yearly which is why wineries must keep large amounts of supplies in order to be able to satisfy customers' needs. To lower these costs, wineries can implement postponement strategies. For example, they can delay the processes of bottling, labeling and packaging as much as possible.⁶⁶

CONCLUSION

Macedonian wine has an excellent potential to become a strategic national export product. To this end wineries must be oriented much more towards producing quality bottled wine, rather than the current practice of production and export of bulk wine. In order to make successful performance on the international market there must be compliance, cooperation and partnership between the various members of the wine supply chain. Grape growers, wineries, distributors and transporters must coordinate, optimize and integrate various operations and phases needed to make wine from grapes and distribute it to the final customer. Different supply chain management practices allow for systematic and strategic coordination of the traditional business functions between companies and within them.

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**COMPARATIVE ANALYSES OF CONDITIONS AND
MOVEMENTS OF FOREIGN DIRECT
INVESTMENTS IN REPUBLIC OF MACEDONIA
AND OTHER COUNTRIES⁶⁷**

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Abstract

Countries in transition among which is Republic of Macedonia towards the end of the eighties and the beginning of the nineties of the last century were in a situation in which there is more difficult to find new financial means. Due to that, an opportunity appeared the new credit engagements to bring such countries in debtor crisis. On basis of this, the necessity for finding out new instruments which will enable entrance of foreign capital were imposed, which will produce financial effects. That is why, the foreign direct investments (SDI) are seen as ideal decision so that the receptor of the investments will result special economic benefits.

Today, they represent one of the most actual topics. The factual conditions and numbers for the made inputs of SDI in the state are represented by the National Bank of Republic of Macedonia (NBRM) in the state turnover balance.

Key words: foreign direct investments (SDI), economic effects, investment, movement of foreign capital

INTRODUCTION

Republic of Macedonia since its independence in 1991 started with intensive campaign for attraction of foreign direct investments, but such campaigns gain stronger and more significant intensity.

The state must continue with its effects for attraction of foreign investments so as to achieve that it must invest in its promotion because the marketing is the unique and the best way to introduce Republic of

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Macedonia to the world and at the same time the world to acknowledge it as a state where there is positive economic climate eligible for investment.

For creation of the investment climate which would attract the foreign investors, it is necessary economic and legal measure to be taken, but at the same time it is necessary to introduce monetary fiscal and foreign commercial policy. Such policies are directed to attraction of foreign direct investments which offer special benefits for the foreign direct investments and due to that the national interests should be coordinated to the business interest and strategies of the foreign investors.

The fact that SDI during the last two years overcame the number of 3 million Euros and that is in constant increasing in the period from 2004 to today, it points to the good marketing strategy which will be established in order to attract foreign investors.

The subject of the research of this paper is cooperative analyses of the foreign direct investments in R. Macedonia and as a starting year for analyses 1997 is taken, also a comparison of the foreign investments in R. Macedonia and other countries.

The aim of the research is to identify the condition and the movements of the foreign investment as well as conducted marketing activities that influence the increasing.

The methodological approach of research in this paper should offer theoretical and practical knowledge which correspondingly will present the factual real state of SDI in R Macedonia. Different scientific methodologies are used for that: comparative method, application of the methods of theoretical and economic analyses as well as empirical and comparative research

BASIC THEORETICAL ANALYSES FOR THE FOREIGN DIRECT INVESTMENTS

The foreign direct investments (SDI) according to the definition of MMF which has been accepted by OEDD “are category of international investments which effect the aim of the resident company of one economy (foreign direct investor to gain long-term interest in a company which is resident in another economy”⁶⁸

In statistic sense the foreign direct investments represent investments of legal and physical entities from abroad in domestic companies with

⁶⁸ Maitena Duce & Banco de España, Definitions of Foreign Direct Investment (FDI): a methodological note, Final draft, July 31, 2003, <http://www.bis.org/publ/cgfs22bde3.pdf> (available на 1.11.2013)

existence of long-term interest where the foreign investor owns at least 10% from the overall value of the company⁶⁹.

The basic economic axiom in the definition of the influence of the input of SDI of the economic growth of the country host is equalized to the following.

SDI have good influence to: the employment increasing and the economic activity, improve the economic performances of the economy, cause growth of the export and etc.

But, beside the influence that input has, their structure is of large importance. According to that the positive influence to the growth and the economic development in Republic of Macedonia has the five categories of SDI⁷⁰:

1. As the most wanted category is so called “Greenfield investment”- opening of new production capacity
2. Selling of the existent production capacities to international companies among which there are the global leaders in the production branch they refer to
3. Selling of companies which offer services to the domestic economy and which are in state ownership
4. Selling of private companies from the existing local ownerships shareholders who generally offer their services to the domestic market
5. SDI for construction objects used exclusively for commerce

The foreign direct investments in the country where positive reproduced effects are imposed are as follows: increasing of the employment, improvement and increasing of the productivity, enabling transfer of knowledge and technology, enforcing of the export which collected result contributes for long term economic development in the countries in transition.

SDI define the following basic characteristics:

- Attractiveness of the economic conditions which exist at the country host where it is invested
- Rules that define the legal frame which is conducted at the country host
- Investment strategies of the large corporations and
- Political stability and the possible risks which result from it

⁶⁹ <http://www.investopedia.com/terms/f/fdi.asp> (достапно на 1.11.2013)

⁷⁰ Dan Donchev, Foreign Direct Investments, 20.04.2010, <http://www.utrinski.mk> (available 2.11.2013)

EFFECTS OF SDI TO THE MACEDONIAN ECONOMY STATES AND MOVEMENTS

The economic crisis which for a longer period causes isolation and range of economic problems, the obsolete production technology as well as the lack of domestic capital, imposes the fact that without SDI there are no possibilities for positive and more significant development and modernization of the Macedonian economy.

The Globalization and the processes that follow in the projection of the macro economic image in the years that follow contribute Republic of Macedonia to face the problem of security the necessary level of investments as well as the unique possibility for sustainable development and growth of the gross domestic product and the return increasing of the investment for fastening of the economic growth.

For that purpose a positive marketing campaign is taken which already has secured good percentage of SDI and in the future there is an expectation of even higher level.

According to corresponding data of NBRM comparative analyses which is made in its research show that the level of foreign direct investments in R. Macedonia according to the structure of foreign investment in 1998 and those in 2012 increased for 30,2 times. That is to say expressed in number in 1998 SDI was 107,789,347 Euros, while in 2012 it reached the value of 3,263,406,118 Euros (chart 1). In the same chart the data of the current new and other foreign investments are shown.

T.1: Structure of total investment (new, existing and other) in period 1997 – 2012 year

IDI year	Structure of IDI	Acquisitions and Mergers (existing investments)	Greenfield (new investments)	Foreign investments in companies	Total foreign investments
1997	Equity	71,164,371	36,624,976		107,789,347
1998	y capita	181,462,084	44,648,801		226,110,885

					85
1999		227,695,600	66,660,673	5,624	294,361,897
2000		405,722,068	111,682,087	5,608	517,409,763
2001		479,454,006	547,716,209	5,167	1,027,175,382
2002		596,997,981	541,567,690	10,310	1,138,575,981
2003		656,757,623	589,610,848	10,273	1,246,378,744
2004		753,494,097	642,001,483	10,270	1,395,505,850
2005		904,696,421	719,645,569	10,292	1,624,352,282
2006		1,158,747,766	791,090,467	70,154 5,149	1,949,913,536
2007		1,446,550,764	912,655,694	-23,115	2,359,183,343
2008		1,583,453,846	957,290,821	-18,664 -3,585	2,540,722,418
2009		1,562,772,817	1,047,556,265	7,315,301 30,065	2,617,674,448
2010		1,715,372,356	1,066,643,598	180,632 4,786	2,782,201,372
2011		1,944,440,816	1,286,441,194	1,506,037 10,987	3,232,399,034
2012		2,090,310,465	1,179,821,032	- 6,725,378	3,263,406,118

Source: National Bank of Republic of Macedonia, <http://www.nbrm.mk> (available 03.11.2013)

The largest value of SDI exists in the current investments and those in the last 2012 are almost double larger compared to the new investments. Significantly, this year the largest withdrawal of SDI from the foundations has been noticed.

From the following chart (chart 2) it can be noticed the movement of SDI by its activities.

T.2: Foreign direct investment in Republic of Macedonia - flows - by activity in 2012 year

Activity	move-ments	состојби
Agriculture, forestry and fishing	2.54	36.52
Mining and quarrying	-17.22	156.43
Manufacturing	44.85	1,281.49
Electricity, gas, steam and air conditioning supply	21.90	278.80
Water supply; sewerage, waste management and remediation activities	-0.70	2.87
Construction	16.59	157.07
Total services	4.24	1,833.12
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.95	453.90
Transportation and storage	-5.60	38.99
Accommodation and food service activities	1.08	41.53
Information and communication	-2.27	158.34
Financial and insurance activities	2.29	950.67
Real estate activities	-2.07	62.15
Professional, scientific and technical activities	-6.17	29.08
Administrative and support service activities	5.03	54.20
Education	2.35	6.12
Human health and social work activities	0.06	3.23
Arts, entertainment and recreation	0.53	32.96
Other service activities	0.06	1.95
non allocated	-0.15	0.13
sub-total	72.05	3,746.42
TOTAL	72.05	3,746.42

Source: National Bank of Republic of Macedonia, <http://www.nbrm.mk> (available 03.11.2013)

During the 2012 the largest movement of investment appeared in the production 44,85 million Euros or if the state is shown it would be 1,281.49 from the overall investments which is 72,05 million Euros opposite to it, the states have the value of 3,746.42 million Euros

In chart 3 the countries have been shown which are the largest investors in Republic of Macedonia during 2012.

T.3: Foreign direct investment in Republic of Macedonia - flows and stock-
by country in 2012 year

States	movements	conditions
Albania	-0.76	28.02
Austria	40.82	441.62
Belgium	14.49	16.86
Bosnia and Herzegovina	1.73	5.65
Virgin islands, British	-9.89	81.76
Bulgaria	5.35	142.79
Canada	2.25	6.67
Croatia	5.43	85.45
Cyprus	2.35	57.67
Estonia	3.92	12.07
France	0.88	134.81
Germany	11.89	83.94
Greece	2.10	436.22
Hungary	-0.10	346.43
Italy	2.06	62.72
Liechtenstein	4.08	24.34
Luxembourg	1.33	18.84
Netherlands	8.11	783.00
Panama	-0.40	10.04
Poland	-2.31	6.90
Russian federation	0.16	11.48
Saint Vincent and the Grenadines	-27.67	112.86
Serbia	-0.61	77.67
Slovenia	-15.65	363.25
Sweden	2.36	20.97
Switzerland	-20.59	89.60
Syrian Arab Republic	0.04	11.90
Turkey	23.53	145.32
United kingdom	0.51	38.98
United states	11.35	59.54
Virgin islands, U. S.	0.17	7.06
European Bank for Reconstruction and Development	0.04	7.52

Source: National Bank of Republic of Macedonia, <http://www.nbrm.mk> (available 03.11.2013)

The foreign direct investments expressed separately by countries, which invested in R Macedonia it can be concluded that it is overall movement of 72,05 million Euros out of which the five largest investors in 2012 are: Austria with 40.82 million Euros, Turkey 23.53 million Euros. Belgium 14, 49 million Euros, Germany with 11,89 million Euros and USA with 11, 35 million dollars.

Referring to the stated during 2012 the overall value of direct investment was 3,746,42 million dollars out of which the investments of Holland were 783 million Euros, 440 million Euro to Greece and Austria and about 350 million Euros to Slovenia and Hungary. That at the same time refers to the largest states investors in 2012.

SDI largely influences to the economic growth and development especially in the country. The contribution and the effects that are produced by SDI depend largely on large number of different factors which vary from one period to another and from one country to another. Still as common denominator for all SDI are the following contributions: improvement of the business climate, increasing of the employment, reformation of the human resources, application of modern technologies and knowledge, easier approach to the international markets and etc. All these positive effects result with fast growth and economy development at the underdeveloped countries.

COMPARATIVE ANALYSES OF SDI IN MACEDONIA AND OTHER COUNTRIES

By application of comparative analyses it can be brought a general conclusion that the overall entrance of SDI in Macedonia is 135 million dollars regarding the countries from the former Yugoslav area for 2012, which represents the lowest level that is Macedonia is “on the bottom itself”. The remaining countries according to the Agency of Commerce and Development have SDI which goes up to 145 million dollars in Slovenia and 1,25 million dollars in Croatia. From the countries in the region Albania has remarkable growth and in 2012 it succeed to attract 957 million dollars.

Compared to the other countries in Europe (chart 4), R.Macedonia has lower SDI that is Malta where there is invested in value of 157 million dollars and Gibraltar with 168 million dollars.

T.4: FDI inflows, by region for 2012 year

Region	FDI inflows
Macedonia	135
Kosovo	295
Serbia	352
Monte Negro	609
Bosnia and Herzegovina	633
Slovenia	175
Moldova	159
Tajikistan	209
Gibraltar	168
Malta	157
Afghanistan	94
Bhutan	16
Nepal	92
Palestinian	244
Yemen	349
Benin	159
Mali	310
Togo	166
Rwanda	160
Somalia	107
Swaziland	90
Zimbabwe	700

Source: http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf (доступно на 10.11.2013)

With the other countries in the world Macedonia can be uniquely compared to Moldavia, which in 2012 had somehow higher SDI compared to R. Macedonia with 19 million dollars then Tadjikistan which managed to attract 290 million. SDI in R Macedonia is lower than in Armenia country which is in very unstable region. Only in the countries from Asia there is lower SDI, so R. Macedonia has higher SDI compared to the East Timor which has 42 million Afghanistan with 94 million dollars, Butan 16 million dollars, Nepal 92 million dollars and Palestine and Jemen with very low SDI compared to Macedonia which are about 300 million dollars.

From the countries in Africa, lower SDI than R. Macedonia have Somalia (91,07 million dollars), Swaziland (90 million dollars) while Ruanda, Togo and Benin have somehow higher SDI than R. Macedonia that is to say their SDI is 160 million dollars. While the state Mali has higher SDI not only

compared to Macedonia but also to the region, which is 310 million dollars by which only humble level is achieved.

CONCLUSION

The direct investments are international investing transactions in order gaining of permanent economic interest in the companies which are residents in economy different from that of the investor and in order gaining influence in business tragedy of that company

The statistic of the National bank of Republic of Macedonia covers the states and the movements on basis of direct investments. The state represents the position of the direct investment at the end of certain period while the movements represent increasing /reduction of the direct investment in the frames of certain period.

In this paper the structure of investment, the movements of activities and state and movement by countries have been presented.

The positive effect by SDI largely is defined by the policy for SDI which is lead by the developing countries. The creation of policy for attraction of SDI should be in accordance to its characteristics in order in the best possible way to take the positive economic effects.

On basis of the made comparative analyses of foreign direct investment for the period of 1997 to 2012 it can be concluded that the foreign investment increased even 30, 2 times, which certainly points that the business economic climate rapidly is improved and this trend of grow of SDI continues further which results with additional attraction of SDI which inevitably leads to increased economic growth on gross domestic product.

At SDI in the second half of 2013 it was noticed a slight falling regarding the first half of 2013 due to the showed an difficult recovering from the economic crisis of the European countries and that is why the expansion for 2014 is on a high level.

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DOCUMENT-FLOW NETWORKS IN PUBLIC ADMINISTRATION AS BASE FOR EVALUATING E- GOVERNMENT: A CASE STUDY⁷¹

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Abstract

The application of the information and communication technologies in achieving more citizen- oriented and effective public administration is called e-government. The implementation of this concept entails the creation of numerous indicators for assessing the efforts for establishing e-government. The review of the studies reveal that the majority of these indicators are focused on measuring e-government development concerning public services carried out electronically, thus neglecting the importance of back office connection of various public administration institutions – which essentially is the driving force of the development of the e-government concept.

In this paper I propose a novel approach to evaluating e-government development by measuring back office institutional integration: monitoring and assessing the documents' flow network created among public administration institutions in the process of realizing public services. The usability of this approach is being tested by conducting a case study for public services in the area of urbanism in the Republic of Macedonia.

Key words: e-government, evaluation, indicators, social network analysis

INTRODUCTION

Aspiration of every government, from the past to present, is to be more effective. Currently, many governments relate increased effectiveness to the objective of customer orientation, which identifies effective and efficient supply of quality services as a crucial element of public administration. Achieving that objective requires different kind of measures and actions in the public administration area. One of them, that open new pages in those

⁷¹ professional paper

efforts, includes the implementation and use of information and communication technologies (ICT), and is referred to as e-government.

In order to assess the success of the process of e-government implementation, researchers have established a number of indicators as well as various benchmarks. However, since the focus of early e-government efforts was mainly on rapid achievement of visible results, the evaluation also concentrated on the supply (most visible) side of e-government. Most of the indicators and benchmarks had focus on measuring e-government output: front-office implementations of G2C (government-to-citizen) and G2B (government-to-business) services while it was neglect the importance of the back-office and its G2G (government-to-government) services as the real and most important engine of e-government. For this reason, many researchers point out the importance of back-office processes improvement (hidden G2G e-government aspects) for the further development of e-government. Therefore, there is a need to establish new indicators that will capture the development of behind-the-scene G2G information systems supporting the management and administrative functions of public institutions.

Assessing the development of G2G aspect of e-government is the main challenge to be addressed in the paper. A possible approach, to be presented here, is to analyze the role of networks in the organizational structure of public administration (PA). One aspect of these networks, closely related to e-government, is the document flow between citizen, businesses, and different public administration bodies. Being able to quantify (measure and observe) these document-flow networks would be an important step towards quantifying the effects of e-government and other public administration reforms on e-government and its G2G aspect in particular. Namely, establishing these networks would allow us to use standard methods for social network analysis and apply them for assessing the development of e-government, which will be a very relevant contribution to the field and the process of formal e-government evaluation. More specifically, we will explore the possibilities to use the properties of the document-flow networks in public administration, as measured using social network analysis, as indicators of G2G aspects of e-government development.

The rest of this paper is organized as follows. Section 2 provides brief introduction to the topics of e-government evaluation and inter-organizational networks. Section 3 introduces the document-flow networks and illustrates the process of their establishment on an example concerning four services in the domain of urban planning in Macedonia. It also explores the relation between network properties and back-office development.

Finally, Section 4 summarizes the paper and outlines directions for further research.

EVALUATING E-GOVERNMENT

Over the time, e-government evaluation studies focus has been changed on various aspects, divided into few groups such as e-readiness, back-office, front-office (supply & demand), e-government effects and impacts (Kunstelj and Vintar, 2004).

The early period of e-government evaluation was characterized by focusing on evaluation of e-readiness and front-office, mainly the supply-side of assessment of e-government, and measuring the outputs (Accenture, 2007). The analyses have been web-based and have taken into account public services that are supplied via the Internet with identifying a number of indicators for citizens (G2C) and businesses (G2B). The researches related to the back-office were very rare. SIBIS (2003) note that 'it required a separate empirical approach and no adequate indicators could be found in other sources'; Kunstelj and Vintar (2004) identify only six studies; Bogdanoska Jovanovska and Todorovski (2012) make analysis on only five studies with back-office in focus. So, it is obvious that "*the work on back-office measurement so far was limited*" (UN, 2009). A few years later, due to different reasons as: 'lack of cross agency co-operation' (Accenture, 2007) and lack of indicators that measure back-office development because 'an online service does not say much about internal re-organization and/or the users' perspective'; conclusion was clear that 'the real benefit of e-government lies not in the use of technology per se, but in its application to processes of transformation' (UN, 2009). Governments around the world were realizing that continued expansion in e-services is not possible without some kind of integration of back-office systems. According to Joia (2007), 'one of the most challenging e-government sectors, to fulfill the e-government services, is the digitally enabled collaboration and cooperation perspective among different government agencies' because 'e-services require another way of organizing processes, different than the traditional public administration' or like Vintar et al (2003) notes '*... to achieve fully implementation of e-government it is necessary to be made: changes in organizational design, changes in ways of communication and working ...*' what leads to a new reality of public administration. An important aspect of this new reality is the establishment of inter-organizational networks.

INTER-ORGANIZATIONAL NETWORKS IN PUBLIC ADMINISTRATION

Networks are graphs containing a number of points associated or related with a number of connections, where points are actors in the network, while the connections represent relationships among the actors. Network actors can represent people, groups, organizations, cities, computers or other resources (Krebs, 1996); or with other words actors can be any kind of meaningful social unit, including individuals, collective entities, firms and organizations (Contractor et al., 2006). The relations may be any kind of linkage between actors, including formal role relations, affective expressions (e.g., friendship or respect), social interactions, workflows, transfers of material resources (e.g., money or other goods) publishing and retrieval of knowledge, flows of nonmaterial resources (e.g., information, documents, or advice) and business alliances, to name several types of them (Contractor et al, 2006).

Networks where actors represent organizations are often referred to as inter-organizational networks (IONs). IONs can be defined like *'clusters of organizations that make decisions jointly and integrate their efforts to produce a product or service'* (Alter & Hage, 1993). The actors in IONs can be individuals (persons as actors), groups and organizational units (groups as actors), or organizations (Brass et al., 2004; Provan & Sydow, 2007). The relationships in IONs can represent collaboration, coordination, or any kind of joint activity. So, from this point of view IONs can be observed as *'any collection of actors'* (Podolny & Page, 1998) – separate legal organizations, which work together and cooperate, in order to achieve not only their individual goals, but also common goals of the network as a whole (Danowski et al, 2008). The most general typology of IONs may be is division by the nature of organizations on: public, private and “partnerships” between two. Our interest in this paper is focused exactly on the networks in the public sector.

IONs in public administration (PA) can be seen like networks which actors are formal governmental (and other PA) institutions and the relations are formal role relations, workflows, document flow, and flows of nonmaterial resources (information, advice). The relationships are based of horizontal and/or vertical agreements between different levels of government, regulated by law. Agranoff (2007) refer to these networks as *'public management networks'* (PMNs). PMNs includes all kinds of public administration institutions involved in a public policy making and/or administrative structure through which public goods and services may be planned, designed, produced, and delivered. The motives of inter-agency and inter-sector arrangements in government can be found in public purposes:

solving policy problems or matching services, since very often the services are complex and require realization and/or compilation of different individual services delivered by different PA institutions.

DOCUMENT-FLOW NETWORKS

The awareness that each e-government service is to be delivered by different PA institutions connects together the both areas above. To evaluate e-government, especially its hidden (back-office) aspect, one has to look into organizational aspects of PA and especially how different PA institutions work together to deliver a complex e-government service. This is exactly where I start this study: by analyzing the inter-organizational networks established through delivery of public administration services, I want to find novel indicators of e-government maturity.

On one hand, low level of e-government development is related to frequent activities of the citizen in the process of realization of the complex service. Following the traditional way, where PA institutions are organized following the function-oriented 'silo effect' scheme, the citizen has to go from one organization to another in order to establish a proper document-flow between PA institutions that lead to service realization. In contrast, mature PA and e-government services, supported with appropriate back-office systems, have focus on public service delivery from the perspective of the citizen, so called citizen-centric e-government, where citizen usually gets all the needed services in a 'one-stop-shop' front-office. Thus, the PA institutions take active role in the document-flow network and ease the burden of citizen in the processes of service delivery and realization.

In order to be able to quantify the reorganization due to e-government efforts, in this paper are observed the networks of document flows that appear in the process of service delivery. The document-flow networks, established in this paper, include actors of four different types:

- (1) *Citizen* that initiate the process of service delivery by submitting the application document and necessary attachments;
- (2) *Public administration (PA) institutions* that are involved in the process of delivering the service initiated by the citizen;
- (3) *Other institutions* (businesses and others) that the citizen (or PA institutions) need to obtain all the documents related to the service of interest;
- (4) *Services* that are performed at PA and other institutions above.

The relations in the document-flow networks correspond to the flow of documents that appear between them.

Example of establishing a network for a *single service*: if citizen has to obtain a building permit for a new house, he/she has to send an application to “Approving Building Permit” service; in the document-flow network this is indicated by a link between the node “citizen” and the appropriate service node. Similarly, the link between the “Approving Building Permit” service and “Municipality” node denotes that the document and corresponding service is being handled by the municipality (which is clearly a PA institution).

In the processes of urban planning in Macedonia (like in many other countries), built objects and facilities come with a permission for its use, that is issued upon successful construction. In order to adapt the use of the facility for purposes not specified in the original permission (e.g., to convert an apartment to office space or vice versa) one has to obtain an approval for re-adaptation of an existing facility. In order to do so, a citizen in Macedonia has to obtain three documents (in no particular order), prior to applying for the approval at the municipality. First, it has to obtain a basic project for re-adaptation (conversion) issued by an authorized institution for design (architectural office). Second, she/he has to obtain proof of ownership for the facility. And finally, the citizen has to obtain notary authorized consent of the majority of the co-owners of the building, if the facility is part of the larger estate.

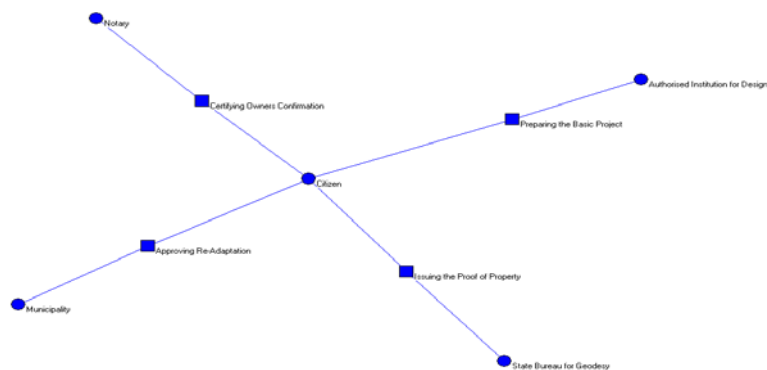


Figure 1: Document-flow network for the service “Obtaining Re-Adaptation Approval”.

Figure 1 depicts the document-flow network for the service “Obtaining Re-Adaptation Approval”. Box-shaped nodes in the network correspond to services, while round-shaped nodes correspond to the individuals and organizations: citizen in the center of the network, a single PA institution (municipality node at the right-hand side), and two other institutions (notary and authorized design institution). Note that we used Pajek software tool (Pajek, 2010) to prepare the networks visualizations throughout this paper.

The network shows that the citizen is in the center of the document-flow network related to the process of service delivery. This is due to the fact, that there is a complete absence of back-office or front-office services in the domain of urbanism, provided at municipalities in Macedonia. Before starting to measure network properties, let us illustrate the process of integrating several networks for multiple services into a single document-flow network of service delivery in the area of urbanism.

Example of establishing integrated networks for multiple services: following the procedure for transforming services (or better, the processes of delivery of services) into document-flow networks, we prepared three other networks for three related services in the domain of urbanism in Macedonia (“Issuing a Building Permit”, “Approving Authorization of Use”, and “Deciding a Location Conditions”). Note that the services are inter-related, to start the construction a new facility, one needs building permit, upon finalization of construction, she/he needs authorization of use. And in order to obtain project for building, one needs decision on conditions for building at a given location of interest.

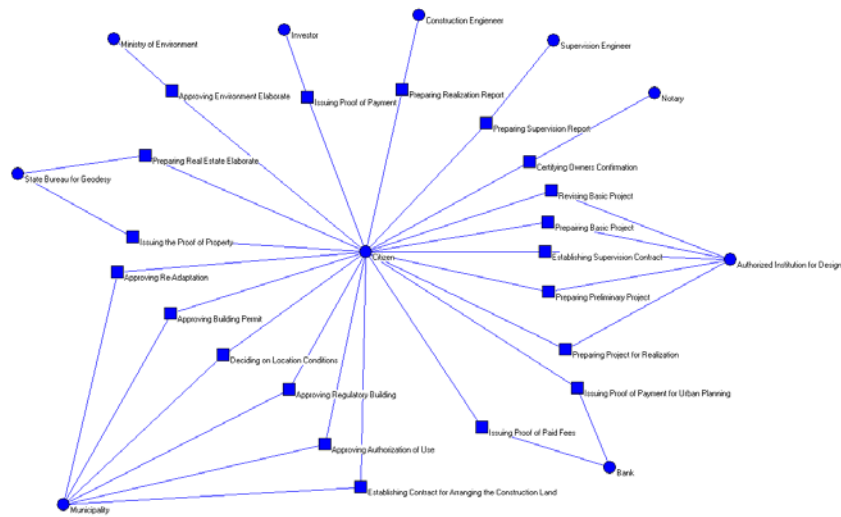


Figure 2: Integrated document-flow network corresponding to four different services in the domain of urbanism.

To avoid verbosity, I do not include the graphs of individual document-flow networks corresponding to simple services. Instead, I aggregated them together in a single document-flow network depicted in Figure 2. It integrates data about document flow in all four urbanism-related services in Macedonia.

For studying the change of the network due to the improvement of back-office integration, I introduce here with a very simple hypothetical scenario. Let assume that municipalities and the State Bureau for Geodesy in Macedonia establish a common (shared) back-office services that establish an opportunity for direct document exchange and flow for the purpose of service delivery. In that case, the network would change in a way depicted in Figure 3.

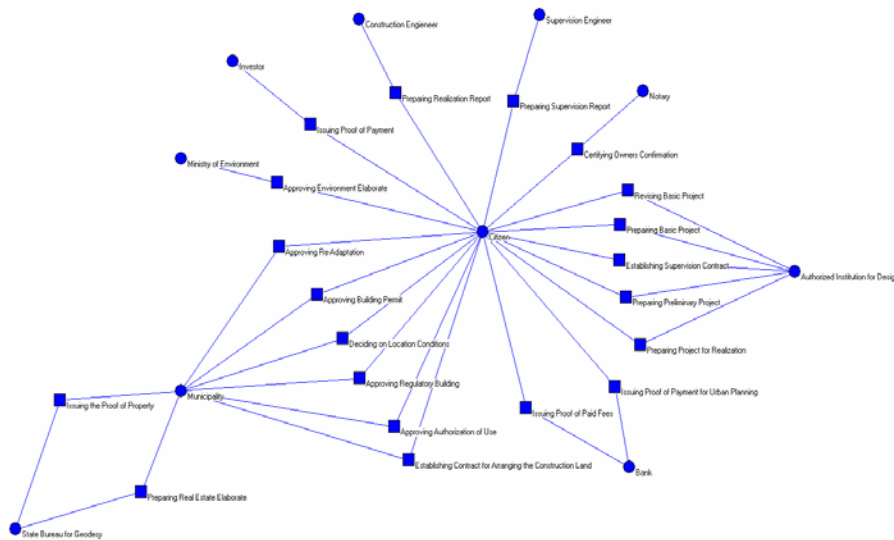


Figure 3: Integrated document-flow network corresponding to four different services in the domain of urbanism after implementing a shared service between municipalities and the State Bureau for Geodesy.

Comparison of the graphs in Figure 2 and Figure 3 shows how this change is reflected in the network. The services of “Issuing Proof of Property” and “Preparing Real Estate Elaborate”, performed by State Bureau for Geodesy, are not to be triggered by the citizen as in the case before back-office improvement. Instead, all the necessary documents for performing those services (which are still necessary) are transferred from the municipality to the Stat Bureau without any citizen intervention; a clear improvement in the direction of citizen-centric service delivery.

The important question I would like to answer now is whether and how those changes influences the properties of the network, or more specifically how and to what extent the properties of the network from Figure 2 differ from the ones for Figure 3. Before answering this question, I have to define network properties of interest.

NETWORK PROPERTIES

The concepts of centrality and centralization are among the most commonly used ways to analyze the patterns which appear in networks. Centrality refers to positions of individual nodes (actors) in the networks,

whereas the centralization characterizes the entire network. According to Nooy et al (2005), the notions of centrality and centralization are strongly related to the simple idea of distance. In this sense, a central node in the network is the one which is closer (connected through fewer links) to every other node in the same network. According to this assumption, degree (number of links for a node) and accessibility of a node indicate its level of centrality. On the other hand, when studying the centralization of a network, we can say that a network is highly centralized if there exist a clear boundary between its central and peripheral parts.

In network analysis, I can differentiate between three centrality measures: degree, closeness, and betweenness. Degree is the simplest centrality measure and represents the number of links incident with the observed node. To assure the comparability with other centrality measures, I use the normalized degree centrality – that is we divide the number with the total number of links in the network. Closeness reveals those central nodes which are “close enough” to other nodes in the network. This measure considers direct and indirect choices (that is directly and indirectly connected nodes), which is why it is slightly better measure than degree. The closeness of a given node is calculated as a ratio of the number of nodes (directly and indirectly) connected with the given one and the sum of all distances between the given node and all the connected ones. Betweenness centrality leans on the assumption that the distance between nodes is not the only relevant measure of centrality. It also considers which (important or unimportant) nodes lie on the shortest paths between the pairs of nodes in the network. According to this, a node is central, if it is situated on a great number of shortest paths among other pairs of nodes. In other words, the betweenness centrality of a node is the proportion of all geodesics between pairs of other vertices which include this node (Nooy et al, 2005).

Regarding the presented centrality measures, the network analysis offers three centralization measures, i.e. degree centralization, closeness centralization, and betweenness centralization. Centralization measures depend on the centrality measures which vary in the network. A network with one central node is more centralized as compared to a network with various equalized centrality measures (Nooy et al, 2005).

THE EFFECT OF BACK-OFFICE DEVELOPMENT ON NETWORK PROPERTIES

Table 1 compares the centrality measures for the two document-flow networks corresponding to the situations before (left-hand side) and after (right-hand side) the implementation of a shared service between

municipalities and the State Bureau for Geodesy. There are used the three measures, specified above (degree – DEG, closeness – CLOS, and betweenness – BETWN), and calculated them for each node in the network first. Again, Pajek software is used as tool to calculate the measures.

Measurement of centrality is calculating the average for all the nodes in the network (fifth row in Table 1). Finally, the sixth row in the table reports the centralization measures for the whole networks.

Table 1: Comparison of the centrality properties of the document-flow networks

	Urbanism-Before			Urbanism-After		
	DEG	CLOS	BETWN	DEG	CLOS	BETWN
Citizen	0.72	0.76	0.92	0.66	0.66	0.86
PA institutions	0.11	0.33	0.0066	0.14	0.30	0.071
Other institution	0.063	0.32	0.0023	0.063	0.30	0.0023
Services	0.072	0.45	0.030	0.072	0.41	0.037
All	0.097	0.42	0.052	0.097	0.39	0.061
Entire Network	/*	0.71	0.90	/*	0.57	0.83

* Degree centralization cannot be computed since the network contains multiple links.

All centrality measures show change of centrality of the “citizen” node – this was to be expected and goes in line with the term “citizen-centric” service delivery. Note however, that this improvement of the service citizen-centrality correspond to the *lower centrality* of the “citizen” document-flow network. This is due to the fact that in mature service-deliver environments, the citizen has a peripheral role in the process of service delivery and most of the document flow is independent from the citizen intervention. In contrary, underdeveloped service delivery environment (which is currently in place in the domain of urbanism in Macedonia) is characterized with high centrality of the citizen node in the document-flow network.

The change of centrality for the nodes corresponding to PA institutions shows that back-office development move PA institutions from the periphery of the document-flow network towards the center. Their overall degree centrality slightly increases, while betweenness show dramatic change. The possible explanation is that in mature service-delivery environment with strong back-office support many PA institutions play a role of a proxy or intermediate that delivers a small part of the service, or only establish a connection between other institutions.

The other two types of nodes do not show any significant change of centrality. For the other institutions this is what we expected, since the

change of back-office only affected the PA institutions and their inter-relations. The services centrality show some negligible change, which might get emphasized, if larger changes are implemented. Finally, we can also see that the centralization of the whole network decreases; this is mostly due to the reduced centrality of the citizen node.

DISCUSSION AND FURTHER WORK

The paper presents a straight-forward methodology for establishing document-flow networks for the process of service delivery in public administration (PA). It illustrates the use of methodology on a real-world example of building a document-flow network for four commonly used PA services in the domain of urbanism in Macedonia. The paper also shows that the properties of the document-flow network show tangible change under the change in the back-office environment for service delivery. The analysis of the change on a simple case of establishing a shared service between two PA institutions, shows that the centrality of the “citizen” node in the document-flow network decreases (i.e., his/her involvement in the process decreases), while the centrality of the PA institutions increases.

Based on these initial and preliminary results, can be postulate a hypothesis that document-flow networks can be a useful tool for analysis of the service delivery process. More specifically, can be hypothesize that the properties of the document-flow networks can be used as indicators for evaluating e-government, especially the G2G and back-office (hidden) aspects of it. However, in order to prove the usefulness of the document-flow networks and properties thereof, further experiments are necessary to confirm these initial findings. It should also extend this study with further cases from other sectors in public administration as well as other countries with more mature service-delivery environments.

In this study, centrality properties are in the focus of attention. Other properties, used for social network analysis, can be considered as well. Further work should also address the question of the proper set of network properties to be observed.

As a final remark, note that other authors have been using the methodology of social network analysis in various e-government studies, see e.g., analysis of partnership networks for implementing an e-government project (Cotterill and King, 2007), implementing local e-government policy (Medaglia, 2006), or coordination of soft-target organizations (Uddin and Hossain, 2009). All these studies combine social network analysis with other qualitative and quantitative methods, such as interviews and surveys. In our study, we do not need these, since we collect the empirical data

systematically from documents about service delivery process. The closest related study is the work presented in (Alter and Hage, 1993) on analysis of health-care networks, induced from the path that the patient makes through different hospital departments, which compares the properties of these networks to the efficiency thereof.

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**OPPORTUNITIES AND CHALLENGES FOR
DEVELOPMENT OF THE ENTREPRENEURIAL
UNIVERSITY BY INTRODUCING
ENTREPRENEURIAL EDUCATION AT
TECHNICAL FACULTIES⁷²**

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ABSTRACT

The entrepreneurship is a moving force of the new economy and of the creative society based on innovation of the young entrepreneurial minds. The entrepreneurship is a generator for new work places; it is a mechanism for increasing productivity and reducing costs, for increasing the number of small and medium enterprises and increasing the profitability of the country. Education is a possibility for creating better human capital in a country. On the other hand, the connection between the higher education and the entrepreneurship plays an important role in the creation of the new societies in future, which require new knowledge and improved skills for work. This paper will show the importance of introducing the entrepreneurial education at technical faculties and the importance of creation of the Entrepreneurial University.

Keywords: entrepreneurship, entrepreneurial education, Entrepreneurial University

INTRODUCTION

The increasingly growing competition in higher education in the country, requires creation of a new mission, with a clear vision and purpose and initiation of new technological changes and innovations with which the University would gradually become entrepreneurial. Only the university that creates students through entrepreneurial education that prepares them for entrepreneurial career by learning new skills, attitudes and knowledge, the

⁷² review scientific paper

university that anticipates the changes in society, adapting to them, can be called entrepreneurial university.

The foundation of the Entrepreneurial University that will create new economy can be created with the correct structural organization and the correct organized management of the university.

This paper will show the possibility of creation of an entrepreneurial university by introducing entrepreneurship education in technical faculties through creation of a quality network of the business sector, with emphasis on technological and biotechnical industries, on the one hand, and the government support for joint projects on the other hand, but also through university as a generator of new ideas.

The people who build the Entrepreneurial University are those quality persons from universities that end as real people with acquired knowledge, attitude and skills, and who are brave enough to confront the outside world.

The entrepreneurial education changes the world. It is a base for an economic powerful country in which most of the citizens are educated and employed/self-employed. The more you invest in the acquisition of the quality education, the more you reinforce the consumption power of the individuals and the country in general. Knowledge is not something which can be wasted. On the contrary, it always has something new which can be discovered by the science. It has always existed, but it was not always available as it is today. The list of new ideas is endless, and the students' potential is unlimited.

Using the students' ideas, the university can become an agent of change in the society, it can become university that cooperates with the environment and also an innovative authority in society.

INTRODUCTION OF THE ENTREPRENEURIAL EDUCATION IN TECHNICAL FACULTIES

The main objective of this research is to show the importance of introducing the entrepreneurship education during their undergraduate studies in the technical faculties and to show the students need for entrepreneurial education. The new way of learning that Lisbon Agenda introduces offers a wide range of knowledge that could only be acquired through a combination of entrepreneurial learning with new skills and attitudes that students will learn in the course of their studies.

Also, one of the objectives is to show the capabilities of teachers to transfer such knowledge, skills and attitudes.

The desire of students and teachers for new kind of learning, transfer of new knowledge and replacement of the traditional methods and techniques of conducting class with new methods can be clearly seen.

The subject of the research is to explore the possibilities of introducing such a subject in the curricula of technical faculties in higher education in our country and noticing the difference between the traditional learning and entrepreneurial learning.

By noticing the priorities of the entrepreneurial learning and relationship with the economic growth in the country, the impact of this education on the individual and social life of a person can be seen. Also the importance of this kind of education and how can it be used can be noticed.

A general methodology is applied for processing and analysis of this research.

There are two types of instruments for research, questionnaires with which the attitudes and opinions of 80 students of the Faculty of Technology, Veles, with dispersed studies in Bitola and Kicevo were surveyed and 20 questionnaires for teachers who work in the abovementioned faculty.

The total number of respondents who participated in the survey is 100.

In presenting the results obtained from the survey, theoretical and empirical methods were used.

It can be clearly noticed that the technical faculty students need the business skills for encouraging and development of the entrepreneurial consciousness and culture more, so that they can easily manipulate the resources they have, than the students who study at the economic or business faculties. The students that study at technical faculties have the applicable and high-quality knowledge, different ideas and skills. For them the introduction of the entrepreneurship and its role in the society is a real challenge.

The creation of the so-called techno-entrepreneurship or technical entrepreneurship which leads to recognition or catching the opportunities for new businesses, using the management strategies for organization, coordination and controlling the resources which the successful entrepreneurs have, is a process which involves several engineers with different knowledge, which is directed toward the fulfilment of a common goal – establishment of a new technology company. What is important from the aspect of technological development of the country is to work together and to move towards the accomplishment of a common goal. The new inventions and ideas which will be used in the society are important for the support of the entrepreneurship.

Or as recently defined by "Kauffman foundation", "Entrepreneurship is transforming the innovation into company that generates significant value..."⁷³

Those entrepreneurs - engineers need entrepreneurial education and a place where they could develop their ideas. That place could be that entrepreneurial university.

RECOMMENDATION FOR FURTHER ACTIVITIES

1. Establishing a working group for entrepreneurship education and sector for entrepreneurial development strategies. This team, or so-called entrepreneurial sector will aim to bring together the best students of the university, all those who have fresh, innovative and creative ideas to improve the economy as a whole, on the one hand and the representatives of the two ministries, that would provide support for the implementation of those ideas, on the other hand " ... to design an environment of high quality items, something that will be a bridge between existing entrepreneurs and innovators."⁷⁴
2. Forming strategy or action plan for introduction of entrepreneurship at the university level. The Ministry of Education and Science, with the development of the national strategy for introducing the entrepreneurship in higher education by giving individual responsibility to each university individually to develop their own plan which will be followed in future. In this way, each university would have freedom in their own way to delegate the tasks for realizing the common goals.
3. Organizing various campaigns, activities and events that promote creativity and innovation, with the aim of raising awareness for the entrepreneurship. In this way the awareness among young people for starting their own business would be raised.
4. Taking specific actions to promote entrepreneurship in higher education. The promotion of entrepreneurship in education is of particular importance. This section should be emphasized, due to the

⁷³ KAUFFMAN, The foundation of Entrepreneurship, "*Entrepreneurship in American Higher Education*", A report from the Kaufman Panel on Entrepreneurship Curriculum in Higher Education, 2006 p. 5

⁷⁴ Hampden-Turner C., "Teaching Innovation and Entrepreneurship" Cambridge, New York, 2009, стр. 42

fact that young people are the future of a country, and the entrepreneurialship is an engine that moves the economy in that country. It should be clear that entrepreneurship is a key component of the educational development of one young person.

5. Review of the national education program, introducing some standards and measures adapted for the society in which we are living. The review of higher education programs is one of the key tasks that the management of the university should be dedicated to and focused on the entrepreneurship as part of the educational process. "Because of that, it is required that the Ministry of Economy together with the Ministry of Education and state universities in the country, to see the possibilities for introducing the scientific discipline entrepreneurship in the other faculties – other than the main faculties, i.e economic faculties, and for enrichment the curricula of these areas in secondary schools..."⁷⁵
6. Creating entrepreneurial universities. The creation of mutual competition of universities in the country, and the creation of entrepreneurial universities will increase the entrepreneurial network, the development of new products and business start-up centers. It will also affect the creation of an educational and skilled people in the country, ready to cope with the new dynamic time.

The benefits are great. The integration of technological development and science with the business and the acquisition of new skills, connecting the government, individuals and business sector in transforming ideas and developing new economic values. "It is clear that the entrepreneur plays an irreplaceable role in the process of innovation and stimulations of growth..."⁷⁶ stated J.B.Say, as one of the first economists who defined the entrepreneurship and who listed the characteristics of the personality of the entrepreneur. He clearly sees the benefits of this type of education, through the person who takes risks and is capable of creating something new, and with it directly affects the creation of new entrepreneurial society.

⁷⁵ Fiti. T, Markovska-Vasilevska c., M Bejtmen. "Entrepreneurship" Faculty of Economics, Skopje, 2007

⁷⁶ Audretsch B.D., Litan R., Strom R., "Entrepreneurship and openness" Theory and evidence, Edward Elgar, Cheltenham, UK, Northampton, MA, USA, 2009, p. 15

CHALLENGE - CREATION OF ENTREPRENEURIAL UNIVERSITY BY INTRODUCING THE ENTREPRENEURIAL EDUCATION

The concept entrepreneurial university implies a certain university that integrates unity and integrity of human knowledge and culture. It is a place where the innovations, new ideas and products are commercialized and where the risk is a normal thing.

The primary goal of the university is developing a network of high – quality motivated professors and assistants and their implementation of new pedagogical methods and ways for transferring the knowledge. One way to realize that is if the university focuses and uses the programs better for mobilization and exchange of the academic staff and students in the European Union countries.

The profile of the university is strengthened by raising the awareness for cooperation between the private sector and the companies, but also with the development of the research business, enabled by the university's centres, with which it effectively collaborates with the business environment.

An important characteristic is the management of the university which encourages all the entrepreneurial activities, such as consulting, business links and interdisciplinary partnerships, in order to encourage learning through exploration.

When we define the concept entrepreneurial university, we can say that it is a university that closely collaborates with the industrial sector, creating entrepreneurial ecosystem. It is a model system composed of university knowledge, government support and business community. It is a model of higher education, which besides educating the young people and creating business opportunities for personal success in future, also gives a reliable tool in their hands, so that they can learn how to create and develop it.

OPPORTUNITIES FOR CREATING THE ENTREPRENEURIAL UNIVERSITY

Creativity, persistence in achieving goals and readiness for risk, became almost universally accepted, not only as part of the entrepreneurship and the characteristics of the people which are called entrepreneurs, but also

for all those who want to succeed in their life. Education is a framework that has these features. University is a catalyst of that knowledge, and the entrepreneurial university plays an important role in the modernization of both contents and the way knowledge is transferred from and to the business.

Regarding the problems which the university faces in its transformation, the hardest thing is to heal the gap between the human and financial resources, the science and business.

It is more difficult to create long-term human resources that are well trained to take risks, and are accessible for the foreign funds, human resources that can pour money in the university and implement new strategic goals for proper utilization of the already gained finances and their savings. Given that the state universities are funded by the state, they lack resources to autonomously solve this problem in a way that they want, and the state allocates their resources. On the other hand, the private universities and colleges in the country and abroad feel free to allocate the finances, so that they can increase the fund provided for research and development by themselves.

Entrepreneurial universities support the projects for creating carrier centers, alumni, innovation and creativity development centers, creating the technology park, a form which will connect the education and industry and business community, but also the work of the business incubators.

CONCLUSION

This paper proposes introduction of entrepreneurial education in technical faculties, and the possibility of creating the entrepreneurial university, as an important concept in education and society. Therefore, the opinion of students is examined, and also the opinion and willingness of the professors and associates of the above mentioned university to accept that kind of teaching, as a member of the University, who is working on the mission to create an entrepreneurial university are examined.

The purpose of the introduction of the entrepreneurship at the technical faculties is: a) to teach students how to recognize opportunities for successful business idea, which techniques and tools should be used for finding the right ideas and opportunities and when should they use them, b) gaining knowledge for starting , growing and developing the business, thus

learning several stages in the entrepreneurial process and knowing how to develop a successful business plan , c) development of techniques for creating entrepreneurial ideas ,

d) connecting entrepreneurs with the faculty and industry and creating entrepreneurial university.

The entrepreneurial university plays an important role in the economic, but also in the social development of a country. In the long term, this university helps in the development of the entrepreneurial awareness and culture, encourages the initiative and creativity of the students, as one of the key competences for lifelong learning. On the other hand, in the short term this university has its impact on the growth of the private sector of the country.

The entrepreneurial university creates capable young people that are ready to meet the challenge that they will face after gaining their diploma. This type of university has a positive impact on students, especially on those students that are to be graduated and have an idea for starting their own business.

By writing this paper, the justification for introducing the subject entrepreneurship in the curricula of technical faculties was proved. Through this course, the future creators of economic society will gain knowledge, skills and attitudes for problem solving, risk taking, initiative and accepting new challenges.

The significance of this paper can be seen in the utilization of human capital for the development of the private sector in the country, especially of the graduate students.

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**CONTRIBUTION OF THE TEMPUS PROJECTS TO
THE TRANSFORMATION OF THE HIGHER
EDUCATION SYSTEM IN THE REPUBLIC OF
MACEDONIA: CASE STUDY – DOCSTUD
PROJECT⁷⁷**

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Abstract

The main aim of this paper is to explore the contribution of the international European projects in the framework of Tempus Programme to the transformation, modernization and upgrading of the Higher Education system in Republic of Macedonia.

The emphasize of this contribution is put on building relations among European and Macedonian Universities and establishing strong networks through international mobility of the academic staff and students that ensure the transfer of expertise – not only theoretical knowledge, but also, practical experience, know – how and skills. All these relations and activities had a great contribution in establishing a new higher educational system in Macedonia harmonized with the European one.

The main attention in this paper will be paid to the Structural Measures Projects that were aimed to support the macro-level higher educational reforms, and considered through a case study – the Tempus project DOCSTUD which had a very significant role in Developing Doctoral studies system in social sciences according to Bologna declaration.

Key words: Tempus Projects, Transformation, Higher Education system.

⁷⁷ review scientific paper

INTRODUCTION

There are not many EU programmes that go from strength to strength, more than 20 years into their existence. Tempus is one of the rare few.

European Commission (2011:7) in a retrospective of the Tempus Programme over the past twenty years, 1990-2010 points out the fact that “Tempus has been based on a simple philosophy that has proven it works: people-to-people intercultural exchange, projects based on the transfer of knowledge and expertise and a bottom-up grass-roots approach to higher education reform”. Success of the Tempus programme was also due to the flexible nature of the Programme, where it has been able to respond to the changing needs of its stakeholders in different regions and in different economic, cultural and political context.

Tempus also funded many opportunities for networking between EU countries. By bringing actors from the field of higher education together in project consortia, Tempus-specific networks were created, that have had spill-over effects into other academic activities.

Cooperation established in the framework of Tempus projects represents more than partners’ cooperation, due to the transfer of knowledge, transfer of know-how, joint project and financial management, sharing “common” problems of reforms of the higher education systems according to Bologna principles. Many spin-off effects were evident and further cooperation in other programmes and forms was evident.

TEMPUS PROGRAMME AND HIGHER EDUCATION SYSTEM IN THE REPUBLIC OF MACEDONIA

Tempus programme was opened for the Republic of Macedonia in August 1996, where the programme itself was in the Tempus II bis phase. Participation of the Republic of Macedonia ended with the participation of the third call for proposals within Tempus IV phase in 2010. Still some of the projects are on-going and will finish in 2014.

Two overall long-term processes, signing of the Stabilization and Association Agreement and the process of building the European Higher Education Area through signing of Bologna Declaration have been shaping the Tempus cooperation since 2000. Driven by the dynamics of both processes, the priorities for co-operation were updated on a yearly basis and follow the European Agenda.

According to European Commission, with a total budget of 35.2 M€ Tempus has been a key instrument for supporting higher education reforms in the country from 1996 to 2010. Institutional co-operation has been supported through 119 Joint European Projects (JEP), 44 Structural and Complementary Measures (SCM) (2011:7-8). Individual support has been provided in the form of 333 Individual Mobility Grants (IMG) for both East-West and West-East mobility).

Bilic-Sotiroska (2010:107) state that Tempus represents the largest input of projects after the Ministry of Education and Science state budget and has contributed to a harmonisation of higher education in terms of unifying curricula, structural reform of the system and opening of the higher education towards society.

IMPLEMENTED METHODOLOGY

In order to provide an illustration of the impact that Tempus has had as a whole on higher education institutions, on individuals involved in higher education and organizations linked or benefiting from the higher education system in the Republic of Macedonia, research study was made in the period April 2010 – February 2011.

More specifically, the study aims to review the impact of Tempus projects (JEPs, SCMs, IMGs) through a number of targeted interviews and surveys; enhance dissemination of information on what Tempus has achieved so far in its partner countries; and contribute to the current discussions on Tempus' future strategy.

This study has drawn on the outcomes of the project reports, findings of monitoring visits to projects, the findings of studies, reference materials, the results of a highly representative number of responses to questionnaires from 11 higher education institutions, 11 faculties and 78 individuals that have been involved in Tempus in the period 2000-2009 and the findings from interviews carried out in the week 15-20 May 2010 in Skopje and Bitola. These interviews involved stakeholders from two JEP at the Faculty of Philosophy, one JEP at the Faculty of Economics and a regional JEP at the Faculty of Natural Sciences of the “St Cyril and Methodius University” of Skopje. Two SCMs were visited at the Faculty of Technical Sciences of the “St. Clement Ohridski University” of Bitola. Meetings were held with the authorities of both universities and with officials from the Ministry of Education and Science.

Qualitative research was made trying to give an answer to the main question:

The impact of Tempus on higher education reforms and systems, with a particular emphasis on the impact of the Bologna process on the partner countries' higher education systems; what has been Tempus' impact on higher education reforms and modernization processes? Has there been any influence on the introduction of the Bologna principles in the country?

Tempus represents the largest input of projects in the field of higher education reform. 70% of institutions in the country have had more than 10 projects and around 30% have participated in between 5 and 10 projects. Since 2000, the large majority of Tempus projects are actually focusing on the Bologna principles.

Tempus has contributed to a harmonization of higher education in terms of development of unified curricula and in to a unified promotion of staff. Teaching methods have changed across the Faculties and the programme has worked enormously on capacity building.

Tempus has had a large influence on the governance of the University services but needs to support the full implementation of quality assurance, ECTS, international relations, student services and training of administrative staff both at University and Faculty level. 35% of institutions think that Tempus has influenced the introduction of a new constitution for the University to a large extent and 55% to some extent. The improvement of management of the central administration has according to 45% of respondents been influenced by Tempus to a large extent. All respondents consider the integration of young academic, non-academic and students into the decision-making of the University management as a modernization process. 60% of institutions also say that Tempus has had an impact in terms of cooperation between universities and ministries. Whilst there are a number of examples of interaction between persons working on Tempus projects in the faculties and the ministries, 60 % of institutions say that Tempus has had an impact on quality management and assessment systems. Tempus is also contributing to the internationalization of higher education and has lead to strong cooperation between institutions in the country, their neighbors and the EU. Originally 70% of partnerships started up in Tempus were new. The academic reputation of the institutions has been strengthened through Tempus and as a result many bilateral agreements have been signed, joint studies are starting and in many cases research projects have been initiated through Tempus. Tempus has also influenced the attractiveness of institutions in the country with students from neighboring countries enrolling at three cycle system of studies in Bachelor, Master and Doctoral level. Such developments make full implementation of ECTS all the more urgent however.

Tempus has also reinforced cooperation between universities in the country itself through inter-university and inter-disciplinary studies. Also cooperation with the universities in Western Balkan Region was reinforced due to the possibilities of organize joint studies. More should be done on the harmonization of study programmes so as to promote internal mobility.

Enormous progress has been made on the implementation of the Bologna process and Tempus has been instrumental in supporting the faculties and universities in this process and some persons felt that Tempus has done sometimes more than the government in that area.

Many persons also stated that Tempus has had an impact on research activities within the institutions. This impact is in fact more a secondary effect of Tempus and is linked very much to development of the third cycle studies, national or regional ones, supported by the Tempus projects.

STRUCTURAL MEASURES PROJECTS AS A TOOL FOR REFORM OF THE HIGHER EDUCATION SYSTEM

Structural Measures have been defined as:

‘short-term policy advice interventions, aimed at supporting reform processes in higher education, and developing higher education strategic frameworks. Such projects typically address issues linked to the Bologna Process such as quality assurance, and related accreditation systems, credit systems, and restructuring of the qualification frameworks to create a converging and transparent European system, whereby different national education systems would use a common framework.’⁷⁸

The main areas which are covered by the Structural Measures projects according to Zgaga at all (2008:5) are: (1) Modernization of teaching, learning and assessment, (2) Modernization of Governance, (3) University / Higher Education Institutions Reform, (4) National reforms and (5) Promotion of Bologna Process.

Structural Measures project in Macedonia are focus on the following seven themes: (1) Degree Structures; (2) ECTS – Diploma Supplement; (3) Quality Assurance; (4) Qualification Frameworks and Employability Issues; (5) Lifelong Learning; (6) Recognition Issues in Higher Education; and (7) Mobility in Higher Education

Main topic of the first structural measures projects implemented in Macedonia was development of the quality assurance system and implementation of the ECTS and Diploma Supplement at first and second

⁷⁸ See: http://eacea.ec.europa.eu/tempus/programme/action2_en.php

cycle. Results of these Tempus projects were fully implemented in the Law on Higher Education. Also Higher Education Institutions and authorities implemented structural projects for mobility and recognition of study periods abroad. Some of them were focused on improvement and upgrade of international relation offices, introduction of module education, development of bylaws for re-forming of curricula, web-based learning etc. Also some projects supported LLL process and developed concepts and courses for the labour market needs. The last Tempus structural measures projects were focused on development and implementation of National Qualification Framework, compatible with European framework and development of the doctoral studies according to the principles. Results of these projects affected the reform of the higher education system on macro level, with entering into force of several bylaws which are direct result of Tempus.

**CASE STUDY: TEMPUS STRUCTURAL MEASURE PROJECT
“DEVELOPING A SYSTEM FOR DOCTORAL STUDIES IN SOCIAL
SCIENCES ACCORDING TO BOLOGNA AGREEMENT (DOCSTUD)”**

The great influence of the Structural Measure Projects to the Higher Educational System in the Republic of Macedonia will be considered through a case study in this article. Actually, we are emphasizing the very significant role which the Tempus project DOCSTUD had in Developing a system for Doctoral studies in social sciences in the Republic of Macedonia in accordance with the Bologna declaration and other appropriate documents.

Doctoral programmes, as third cycle in education and as a first phase in the career of the young researchers, were considered as an entirely new concept for the WB Universities including Macedonian ones. This new concept appears as a challenge for the Macedonian higher education institutions. The network of three EU universities, four state Macedonian universities and the civil servants from the Ministry of Education and Science shared their experience and knowledge about the way of organizing and functioning of the systems of doctoral studies and proposed a Model of Doctoral studies in social sciences in the Republic of Macedonia. Moreover, many workshops and debates resulted in enhancing the awareness for the necessity of the new approach toward the doctoral level education among the university academic staff, legal authorities and the business community.

CIRCUMSTANCES IN HIGHER EDUCATION SYSTEM IN THE REPUBLIC OF MACEDONIA – PRIOR TO THE PROJECT

While the European Union Universities rapidly and continuously advance the improvement of the doctoral studies system, PhD degrees in Social Sciences in the Republic of Macedonia until 2008 could be obtained only by defending doctoral dissertation written under supervision of a mentor. In other words, there was no tradition of doctoral programmes as structured programmes including training. Up until 2008-2009, a doctoral degree was acquired by applying, preparation (with no research assignments and no field works formally organized by the Higher Educational Institution) and defense of a doctoral thesis in a specific scientific field, and based on a one-to-one relationship with a mentor.

The situation described implied that majority of the dissertations defended in Social Sciences were mainly theoretical that resulted in very limited employability of doctoral degrees holders mainly at the national universities as an academic staff. The private sector did not recognize its interest in employing the doctoral degrees holders because of the purely theoretical approach of the dissertations, and the lack of research and applicability. Due to the incompatibility, recognition of doctoral degrees in international context was very exceptional and doctoral degree holders had limited competitiveness at the international labor market. Consequently, there was a recognized need for introducing PhD studies in the Republic of Macedonia as a third cycle in higher education, that would involve research to a great extent, and would comply with Bologna agreement and the national legislation related to the higher education. There was also a need for involving other stakeholders in the process of developing the doctoral studies, in order to increase the competitiveness and the employability of the doctoral degree holders not only in national, but also in international context.

That was the main reason for emphasizing the introduction of third cycle in accordance with the recent development at European level as national priorities of the Tempus Programme for the Republic of Macedonia. Considering the importance of transforming the way of gaining the doctoral education, with the aim to develop a system and a model of doctoral studies (in social sciences) in MK, the Tempus project “Developing doctoral studies (as a third cycle) Social Sciences in the Republic of Macedonia”, according to Bologna agreement, was accepted by the European Commission

A Study on the organization of doctoral programmes in EU neighboring countries presented at the Seminar on Doctoral Studies in the EU's

Neighboring Countries and the Western Balkans, in a Country synthesis report for the Republic of Macedonia, stresses the importance of DOCSTUD project and concludes (2010:5)

„The HEL and the books of rules on doctoral programmes were **inspired by international cooperation**, for instance within the framework of the European University Association (EUA) and through **pioneer international projects** such as the SEEFORM PhD Centre at the UKIM..... Moreover, a TEMPUS Structural Measure entitled “**Developing Doctoral programmes as third cycle in Social Sciences in FYROM according to the Bologna agreement (DOCSTUD)**”² launched in 2006 supported in a general sense the design of the 2008 Law and the drafting of the rulebooks in Macedonian universities that followed. The DOCSTUD project culminated in the development of a draft Book of Rules for doctoral programmes, offering a general national framework for the organization of doctoral programmes. DOCSTUD deals with doctoral programmes in social sciences particularly because the project coordinator felt that the research of doctoral candidates in social sciences in the old doctoral system was at a low level and much more focused on the compilation of existing knowledge than the conduct of original research. The Book of Regulations applies to every type of study, including natural sciences, technical sciences, arts, etc.“

We have to mention the unaccountable impact on the creation of the basis for thinking up the system of doctoral studies in MK that had many representatives of the partners in this project (three universities from countries that are EU members) with their experience with the already established systems for doctoral studies.

Therefore, this project directly contributed to the implementation of legislation related to the higher education at national level, as well as the harmonization of the Higher Education in Macedonia with the Bologna agreement.

We would like to add here one more quote given in the previously mentioned Study (2010:6):

“ the **2008 HEL has radically changed the situation, prescribing that doctoral programmes are to be organized as structured programmes**, including lectures and exams alongside research work. During the academic year 2009/2010, a new model for the organization of doctoral programmes was drafted in universities and new doctoral programmes were designed in faculties and research institutes.

The main drivers for change over the recent years as well as for the future are as follows: **Reform** implemented at national level with the 2008 HEL; **European projects, European funds and the experience acquired through international programmes**: the DOCSTUD Book of Rules

designed through a TEMPUS structural measure would be a good example and it has enabled the drafting of a general model for the organization of doctoral programmes which can then be adapted in each university and **Workshops** accompanying the reform enabling discussions on the best way to implement doctoral programmes with actors outside the scope of universities (private companies, etc.)

European programmes such as TEMPUS have had a great impact in promoting a new organization of doctoral programmes in the FYRM. “

As results of this project both A Model of Doctoral studies and A Book of rules as a basis for implementation of this Model were created. Almost all universities accepted the proposed structure in the Republic of Macedonia and in many articles of the Higher Education Law.

Additionally, as the development of doctoral studies system as a third cycle was for the first time a priority in the Tempus program for MK, and this Project was the first one in this area, the outcomes from the DOCSTUD project came at the right moment for their implementation.

Finally, we would like to point out that this Project was the basis for developing the new JEP Project (DOCSMES) with a wide network of Partners aimed to develop and implement a Doctoral Programme in Entrepreneurship and SME Management for Western Balkan Countries

CONCLUSION

Tempus represents the largest input of projects after the Ministry of Education and Science state budget and has contributed to a harmonisation of higher education in terms of unifying curricula, structural reform of the system and opening of the higher education towards society. In the period 1996 – 2010 with the total number of 44 Structural Measures project in Macedonia was supported the system of higher education reform at macro level in the following themes: degree structures; ECTS – diploma supplement; quality assurance; qualification frameworks and employability issues; lifelong learning; recognition issues in higher education; and mobility in higher education.

The importance of the structural measures projects in this article is considered through a case study – the Tempus project DOCSTUD which had a very significant role in Developing Doctoral studies system in social sciences according to Bologna declaration. The main outcome of this Project, based on the experience of the EU Universities, was developed A Model of Doctoral studies as an entirely new concept for the WB Universities including Macedonian ones. The proposed structure was accepted almost by all universities in the Republic of Macedonia and in

many articles of the Higher Education Law. Moreover, this Project was the basis for developing the new JEP Project with a wide network of Partners aimed to develop and implement a Doctoral Programme in Entrepreneurship and SME Management for Western Balkan Countries.

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